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Office of the Mayor
San Francisco

Treasure Island Project
410 Avenue of the Palms
Building 1, 2nd Floor
Treasure Island
San Francisco, CA 94130
(415) 274-0660
FAX (415) 274-0299

Willie Lewis Brown, Jr.

Fax Copy 1st Posted 10/30/98

/98

AGENDA

TREASURE ISLAND DEVELOPMENT AUTHORITY

CITY AND COUNTY OF SAN FRANCISCO

Ferry Building, Suite 3100
San Francisco, California

WEDNESDAY, NOVEMBER 4, 1998 2 PM
SPECIAL MEETING

Willie L. Brown, Jr., Mayor

DIRECTORS

John Elberling, Vice-Chairperson
Gerald Green
Anne Halsted
James Morales
Donna Provenzano
Doug Wong

Annemarie Conroy
Executive Director
Mayor's Office Treasure Island Project

TREASURE ISLAND DEVELOPMENT AUTHORITY

Disability Access

The Treasure Island Development Authority will meet at the Port Commission office, located on the third floor of the Ferry Building, Suite 3100. The Port office is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) will be available. The closest accessible BART station is Embarcadero Station located at Market and Steuart Streets. The closest accessible MUNI Metro station is Embarcadero station located at Market and Spear Streets. Accessible MUNI lines serving the Ferry Building are the 9, 31, 32 and 71. For more information about MUNI accessible services, call 923-6142.

There is accessible parking at the Ferry Building and at the public lot in the Embarcadero median in front of the Ferry Building. Assistive listening devices are available for use in the Port Commission office.

For American Sign Language interpreters or use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact the Authority at (415) 274-0672 at least 72 hours before a meeting.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance [Chapter 67 of the San Francisco Administrative Code] or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force at 554-4851.

Lobbyist Ordinance

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Administrative Code 16.520-16.534] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 1390 Market Street, #701, San Francisco, CA 94102, telephone (415) 554-9510, fax (415) 703-0121 and web site http://www.ci.sf.ca.us/ethics/.

Treasure Island Development Authority
Ferry Building, Suite 3100

Special meeting
November 4, 1998 – 2:00 PM

ORDER OF BUSINESS

1. Call to Order
2. Roll Call
3. Resolution endorsing the southern alignment as preferred alternative alignment for construction of new East Span of Bay Bridge (*Action item*)
4. Resolution confirming recommendation of Selection Committee for operator of Treasure Island Marina and authorizing Project Office to commence exclusive negotiations therewith *(Action item)*
5. Resolution approving sole source negotiations with GoldRush 2000 and San Francisco Sailing Center Foundation for use of Piers 11 and 12 in connection with Olympic Sailing Trials *(Action item)*
6. Public Comment

Treasure Island Development Authority
410 Palm Avenue, Building 1
Treasure Island
San Francisco, CA 94130

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PLEASE NOTE
SPECIAL MEETING

Ms. Kate Wingerson
Document Library
Main Library
100 Larkin St.
San Francisco, CA 94102

Next regular meeting: Wednesday, November 18, 1998 at 1 p.m.

A binder of supporting material is available for public viewing at the Mayor's Treasure Island Project office, 410 Palm Avenue, on Treasure Island and at the Government Information Center reference desk, Main Library, Civic Center.

Treasure Island Development Authority
Ferry Building, Suite 3100

Special meeting
November 4, 1998 – 2:00 PM

ORDER OF BUSINESS

1. Call to Order
2. Roll Call
3. Resolution endorsing the southern alignment as preferred alternative alignment for construction of new East Span of Bay Bridge (*Action item*)
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6. Public Comment

Notes

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AGENDA ITEM

Treasure Island Development Authority

City and County of San Francisco

Subject: Endorsing a southern alignment for the new east span of the Bay Bridge and urging local, state and federal agencies to take action to select this alternative as the preferred alternative

Agenda No. 3

Contact Person: Annemarie Conroy **Meeting Date**: Special meeting, November 4, 1998

SUMMARY OF PROPOSED ACTION: Approval of the resolution will put the Authority on record in favor of a new southern alignment to the Bay Bridge which reduces the adverse impacts to Yerba Buena Island and, at the same time, enlarges and enhances parkland area at the eastern tip, preserves operations on the Coast Guard property on YBI, and minimizes impacts to the Port of Oakland.

BACKGROUND AND DESCRIPTION OF PROPOSED ACTION: On June 24, 1998 the Metropolitan Transportation Commission recommended an alignment north of the current Bay Bridge. The alignment adversely impacts Yerba Buena Island and the Treasure Island Reuse Plan in many ways. The proposed bridge and interim detours will effectively eliminate interim use of the historic Nimitz House and the adjacent Great Whites, result in the removal of vegetation and in the recontouring of the Island. The northern alignment will eliminate the use of the Torpedo House and eliminate from development large portions of Yerba Buena Island slated for reuse under the Board of Supervisors' endorsed Treasure Island Reuse Plan.

On September 24, 1998 Caltrans and the Federal Highway Administration issued a draft EIS for the new east span. While both agencies are receiving comments on the EIS, they are proceeding with MTC's recommended alignment and design, despite the fact that environmental review pursuant to the NEPA process is not complete. Comments to Caltrans on the draft EIS are due on November 23, 1998. The City and the Project Office will jointly collect and formulate a response.

In the meantime, in order to avoid the impacts of the recommended alignment, the City and the Project Office explored alternatives which will serve the transportation needs of the Bay Area with fewer impacts to the reuse of Yerba Buena Island. The southern alignment for your consideration resolves most of the Project Office's concerns.

ATTACHMENTS: Attached Exhibits A and B compare and contrast the MTC recommended alignment with the alternative southern alignment. Exhibit C is a copy of a June 23, 1998 from the Authority indicating the Authority's concern with the northern alignment and requesting that MTC delay action so that alternative designs and alignments may be considered and evaluated.

RESOLUTION ENDORSING SOUTHERN ALIGNMENT AND URGING LOCAL, STATE AND FEDERAL AGENCIES TO TAKE ALL NECESSARY STEPS TO CONSIDER THE SOUTHERN ALIGNMENT ALTERNATIVE AS THE PREFERRED ALTERNATIVE FOR THE NEW EAST SPAN OF THE BAY BRIDGE

WHEREAS, On June 24, 1998, the Metropolitan Transportation Commission ("MTC") recommended a northern alignment for construction of the new east span of the San Francisco-Oakland Bay Bridge ("Bay Bridge"); and

WHEREAS, Caltrans has proceeded with design work on the MTC-recommended Northern Alignment despite the absence of a preferred alternative in accordance with provisions of the National Environmental Policy Act; and

WHEREAS, Construction of the adopted northern alignment will have significant adverse impacts to the Admiral Nimitz house, several of the adjacent Great Whites, (Quarters 2 through 7), and the Torpedo House, all of which are listed, or eligible for listing, on the National Register of Historic Places; and

WHEREAS, Construction of the adopted northern alignment will result in the loss of millions of dollars in revenue to the Authority by the elimination by bridge construction of live-work spaces and conference center and other uses from the Treasure Island reuse plan, endorsed by the Board of Supervisors; and

WHEREAS, During construction of the northern alignment income derived from rental of special events venues and residential units will be reduced;

WHEREAS, Construction of the adopted northern alignment and temporary detour structures will result in the removal of Yerba Buena Island's vegetation and natural contours; and

WHEREAS, In response to these adverse impacts, the Project Office has explored alternative routes which will still serve the transportation needs of the San Francisco Bay Area, but with fewer adverse impacts to the reuse of Yerba Buena Island; and

WHEREAS, The Project Office commissioned an engineering study which shows a Southern Alignment that both better serves the transportation needs of the Bay Area and minimizes the adverse effects of the East Span construction on the Base (Exhibit A

WHEREAS, The newly proposed southern alignment will also provide benefits to Bay Area residents including development potential for the Port of Oakland, an enlarged and enhanced public park at the span's eastern gateway and retention of operations at the US Coast Guard facilities; and now therefore be it

RESOLVED, That the Treasure Island Development Authority urges Caltrans, the Federal Highway Administration, the Metropolitan Transportation Commission and other relevant state, regional and federal agencies to take all steps necessary to consider the proposed alternative southern alignment as the preferred alternative for the new eastern span of the Bay Bridge.

Exhibit A

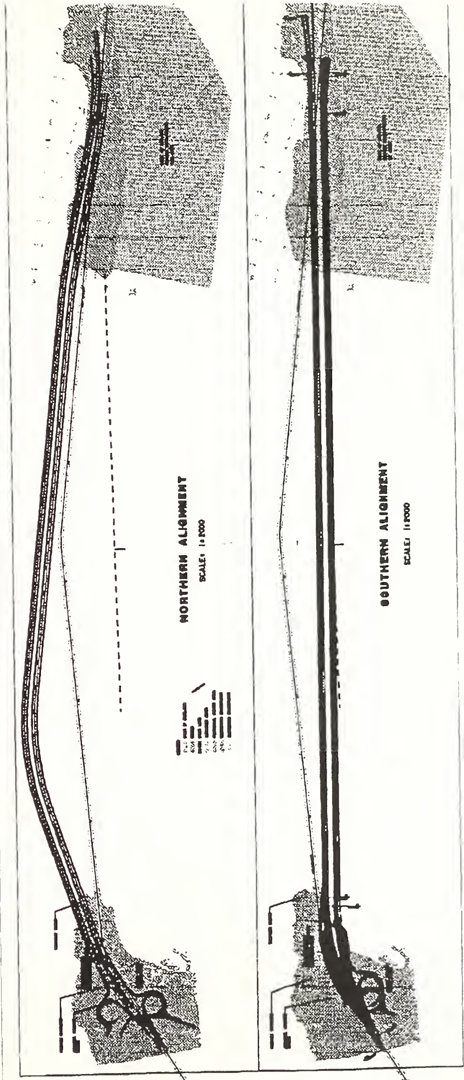
NORTHERN ALIGNMENT
SCALE: 1:2000
SOUTHERN ALIGNMENT
SCALE: 1:2000

Exhibit B

Bay Bridge - Nor[illegible]n vs Southern Alignments
Comparison of Impacts

Comparison Item	Alignment	
	Northern	Southern
Proposed Bridge Alignment		
Length of Bridge (max.)	3,500 Meters	3,400 Meters – save $2 Million
Number of Curves on the Alignment	5 including reverse curves (combined with toll plaza merge)	2 with no reversing (Less accidents and seismically safer)
Construction Staging	Impacts Developable Area	Lesser Impacts
Effect on EBMUD Facility		
Outflow Pipeline	Not impacted	Special straddle foundation over outflow pipe (Estimated $3 Million additional construction cost)
Buildings	Not impacted	Air rights for bridge over EBMUD building
Area Under Bridge (Air Rights Take)	N/A	5,100 SQ.M. (1.3 Acre)**
Effect on Treasure Island Electric Facility		
Primary Service Line (25,000 KV)	Special foundation over electric line – cost $3 million	Not Impacted
Effect on the Coast Guard Facility		
Area Under Ramps & Bridge (Air Rights Take)	4,100 SQ. M. (1.0 Acre) **	10,700 SQ.M. (2.6 Acres) **
Operational Impact	Not Impacted	Minor Impact
Effect on Historical Properties on Yerba Buena Island		
Admiral Nimitz Home	Impacted	Not impacted
Torpedo House	Impacted	Not impacted
Parade Grounds	Impacted	Not impacted
Area Under Ramps & Bridge (Air Rights Take)	29,600 SQ.M. (7.3 Acres) **	4,800 SQ.M. (1.2 Acre) **
Development Potential on Historic Property	63,000 SQ.M. (15.6 Acres) Severely restricted	87,800 SQ.M. (21.7 Acres) Additional 40% more land
Effect on Port of Oakland		
Present Development	Not impacted	Not impacted
Land Take	N/A	3,000 SQ.M (0.8 Acre)
Area Under Bridge (Air Rights Take)	N/A	8,800 SQ.M. (2.2 Acres) **
Future Development Potential	404,900 SQ.M. (100 Acres) Not Impacted	393,100 SQ.M. (97 Acres) 3% less land
Bike Trail	Can be provided	Can be provided
Effect on Future Park Land		
Available Land	19,800 SQ.M. (4.9 Acres)	35,700 SQ.M. (8.8 Acres) Additional 80% more land
Shoreline Length	37 M (112 ft)	576 (1890 ft) 15 times more shoreline
Open Space View	South View (Port of Oakland)	North View (Golden Gate Bridge, Alcatraz Island, Angel Island, City of San Francisco, Treasure Island, Richmond-San Rafael Bridge and City of Emeryville & etc.)
** Air rights areas under bridge are usable for limited purposes, which must be approved by Caltrans.		

10/13/98

OFFICE OF THE MAYOR
SAN FRANCISCO

TREASURE ISLAND PROJECT
410 AVENUE OF THE PALMS
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WILLIE LEWIS BROWN, JR.

June 23, 1998

Hon. James Spering,
Chair, Metropolitan Transportation Commission
101 Eighth Street
Oakland, CA 94607-4700

Hon. Mary King
Chair, MTC Bay Bridge Task Force
101 Eighth Street
Oakland, CA 94607-4700

Dear Chairman Spering and Supervisor King:

The Treasure Island Development Authority has reviewed plans for the recommended design and alignment of the East Span of the Bay Bridge. We are concerned that this proposal may cause significant disruption and damage to the reuse and redevelopment of Yerba Buena and Treasure islands

Treasure Island is subject to the state Tidelands Trust, which limits new development to public and maritime-related uses. As a natural island, Yerba Buena, is not subject to the Trust or these limitations, and thus holds the greater promise for new projects that can contribute to the economic vitality and sustainability of the redevelopment project as a whole. Caltrans has informed us that construction of the new bridge will require extensive grading of Yerba Buena Island, removal of trees and other mature vegetation, placement of between 30-40 footings and pilings for each deck, and a large construction staging area on the island and in Clipper Cove.

During construction, it is unlikely the Authority will be able to make the Nimitz House, the torpedo factory and the other landmark buildings on Yerba Buena Island available for special events, resulting in a substantial loss of income. After construction, these facilities may be so heavily impacted by the new bridge that they are undesirable and unusable. The Authority also leases the former Treasure Island hangars as sound stages to the film and television industries; will begin leasing 660 units of housing on Treasure and Yerba Buena islands as early as this fall; and is about to expand the Treasure Island Marina from 100 to 500-800 slips. These activities will also suffer during and after construction of the new East Span.

Clearly we have cause for concern. The Authority requests that MTC delay action on the Caltrans recommendation, so that alternative designs and alignments may be considered and evaluated.

Sincerely yours,

Dale A. Carlson

Dale Carlson
Chairman of the Board and President
Treasure Island Development Authority

DC:jr

Notes

ACTION ITEM 4

Resolution confirming recommendation of Selection Panel for operator of Treasure Island Marina and authorizing Project Office to commence negotiations therewith.

I. Introduction

Please find below a summary of the recommendations of the Selection Panel assembled by the Treasure Island Project Office which evaluated the three proposals to the Authority's Request for Proposals ("RFP") related to the development of the Treasure Island Marina ("Marina").

II. Selection Criteria

For your reference, the selection criteria applied by the Selection Panel was as follows:

Business Plan **(45 Points)**

1. *Overall viability and appeal of the concept*
2. *Rental and other business terms offered by the respondent*
3. *Projected revenues to the City*
4. *Nature of Improvements to the premises*
5. *Marketing strategy*
6. *Viability of and schedule for implementing business plan*

Experience of the Respondent **(30 Points)**

1. *Experience and reputation in the marina industry for respondent and/or key personnel of the respondent for consistent quality operation of similar operations.*
2. *Business ability of the respondent and/or key personnel of respondent as demonstrated by the longevity of other operation(s) and revenues achieved.*
3. *The extent to which key personnel will participate in the day-to-day operations of the Marina.*
4. *Lack of conflicts of interest disclosed by the respondent or ascertained during the evaluation process.*

Financial Qualifications **(25 Points)**

1. *Financial capacity of the respondent to cover initial capital expenditures and operating costs through the start-up and possible seasonal variations in revenue production, and adequacy of working capital to maintain operations at a consistent level.*

III. Scope of Review

In reviewing the proposals, the Selection Panel only focused on those portions of the responses which related to the development of a marina and marina related activities. We understand that the Authority intends to solicit master developers through a separate RFQ process. Thus, we did not evaluate hotels, restaurants or other uses not directly related to Marina activities that may be more appropriately addressed in a separate solicitation focused on those types of developments.

The Selection Panel was also mindful of the fact that, because of certain extraordinary termination rights contained in the Navy lease of the Marina, as well as certain unremediated environmental conditions at the Marina, long-term development of the Marina may be infeasible until after the City has acquired fee title to the Base. This information was conveyed to each of the respondents in a letter attached hereto for your reference.

Thus, while all three respondents requested lease terms in excess of 15 years, the Selection Panel evaluated both the short-term benefits and the long-term benefits of each proposal, recognizing that more capital intensive improvements may not occur immediately.

IV. Scoring

The Selection Panel was impressed with each of the three responses to the RFP and their approaches for creating a world-class marina facility for not only San Franciscans, but also the entire Bay Area boating community. Nonetheless, applying the selection criteria described above, the Selection Panel reached the following conclusions:

Treasure Island Enterprises

A.	**Business Plan (Maximum 45 Points)**		
	Total Cumulative Points:	153	Average: 38.25
B.	**Experience of Operator (Maximum 30 Points)**		
	Total Cumulative Points:	95	Average: 23.75
C.	**Financial Qualifications (Maximum 25 Points)**		
	Total Cumulative Points:	93	Average: 23.25
	Total Cumulative Points:	**341**	**Average: 85.25**

Modern Continental

A.	**Business Plan (Maximum 45 Points)**		
	Total Cumulative Points:	133	Average: 33.25
B.	**Experience of Operator (Maximum 30 Points)**		
	Total Cumulative Points:	102	Average: 25.25
C.	**Financial Qualifications (Maximum 25 Points)**		
	Total Cumulative Points:	85	Average: 21.25
	Total Cumulative Points:	**320**	**Average: 80.0**

Westrec

A.	**Business Plan (Maximum 45 Points)**		
	Total Cumulative Points:	112	Average: 28.00
B.	**Experience of Operator (Maximum 30 Points)**		
	Total Cumulative Points:	88	Average: 22.00
C.	**Financial Qualifications (Maximum 25 Points)**		
	Total Cumulative Points:	64	Average: 16.00
	Total Cumulative Points:	**264**	**Average: 66.00**

V. Scoring Summary

As noted, each of the respondents submitted valuable proposals. In particular, all three proposals satisfied basic experience and financial qualifications requirements. Nonetheless, the Selection Panel found certain qualitative differences in the three proposals. Among the factors that led to the Selection Panels ultimate recommendation of TIE's proposal were the following:

- TIE's proposed breakwater offered best protection for vessels and was aesthetically superior.

- TIE's proposal contained the best public amenities for both boaters and non-boaters, especially the public pier, shoreline esplanade, green belts. and open space.

- TIE offers a revenue guarantee for the first four years of the project, in addition to percentage rent. This guaranteed revenue may be especially beneficial to the Authority given the potential restraints on immediately commencing long-term, capital intensive, development as described above.

- TIE' s proposal has the best marketing plan.

VI. Conclusion

As shown above, the Selection Panel recommends that the Authority enter into exclusive negotiations with TIE for the development of the Marina. However, because the Selection Panel was impressed by different aspects of each of the proposals, and because in many instances the qualitative differences between the respondents was relatively small, the Selection Panel urges the Authority to carefully evaluate the proposals in reaching a final decision as to which respondent should be selected.

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SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

June 30, 1998

Mr. Thomas Hogan
Sr. Vice President
Westrec Marinas
16633 Ventura blvd., 6th Floor
Encino, CA 91436-1835

Re: Request for Proposals for Treasure Island Marina Sublease (RFP)

Dear Mr. Hogan:

By way of follow up to our recent telephone conversation, this will confirm that you will make an oral presentation of your response to the above RFP at the next regular public meeting of the Treasure Island Development Authority. That meeting will be held at 1:00 PM on Wednesday, July 15, 1998, at the San Francisco Ferry Building, 2nd Floor. The presentations are only one of several items on the meeting's agenda, and your firm will be one of three making presentations. We would, therefore, appreciate your closely adhering to the 30-minute time limit.

Prior to your presentation, we wish to bring to your attention the following developments that may affect the speed with which we are able to complete the RFP process:

First, the lease between the Navy and the City for the Marina property permits the Navy to terminate the lease on 30 days' notice if the Navy makes "a final decision on disposal of the Leased Premises that is inconsistent with continued use thereof by Lessee under this Lease." Unfortunately, the lease does not include or provide for a subordination and nondisturbance agreement with respect to the Marina sublease, and it appears unlikely at this point that the Navy will provide such an agreement. Hence, unless the Navy changes its position, the City will not be able to provide a financible long-term sublease for the Marina until the Navy conveys the real property to the City. Although the City and the Navy are diligently proceeding toward this conveyance, external factors such as the environmental cleanup and the Bay Bridge seismic retrofit described below may affect our progress.

Second, as indicated in the one-page summary of environmental concerns distributed by the City at the pre-proposal conference, there are contamination and cleanup issues that must be addressed in order for any expansion of the Marina to proceed. To date, the environmental process has not moved beyond the initial investigation phase. Because the

environmental feasibility study will not be issued until the recently-issued draft remedial investigation report is final (previously forecast for December 1998), the scope of and timetable for cleanup remain unclear. The City's inability to enter into a long-term sublease for the Marina compounds this problem—at least in the interim—in that it would appear to preclude a substantial financial commitment by a developer to complete the cleanup.

Finally, the northern portion of Yerba Buena Island adjacent to Clipper Cove will be significantly affected by the alignment and construction of the new eastern span of the Bay Bridge, now under development by Caltrans. Current plans for the new span (which are only at 30% development stage) place all of the permanent structures and most of the temporary structures to the north of the existing bridge. There is no doubt that these plans would have a major impact on the City's reuse plan for both islands, including the Marina area. The City, however, will not be able to assess the exact impact on the Marina until Caltrans has completed its plans and those plans become final.

In light of these factors, major Marina-related developments (of the sorts described in the responses to the RFP) may be delayed. It is still our intention, however, to finish the selection process as soon the external factors affecting the islands permit. The upcoming presentations for the Marina are an important step in our continuing effort to move forward with our plans for the Marina. In addition, those presentations will help us to understand more clearly the impacts of these external factors on our plans.

In the meantime, the project staff plans to consult with the Authority regarding the interim operation and maintenance needs of the current Marina. We will, of course, notify you of any decision reached by the Authority which affects the RFP.

Obviously, the continuing developments affecting the islands do not permit us to make a binding commitment regarding the RFP and selection process, and nothing contained in this letter in any way modifies the City's rights under Section V(B) of the RFP.

Thank you for your patience and cooperation. We look forward to seeing you and your presentation on July 15.

Sincerely,

Marianne Conarroe
Harbormaster, Treasure Island Marina

cc: All Respondents to TI Marina RFP
All Members of TIDA
Members of the TI Marina Selection Panel

FILE NO. ________________ RESOLUTION NO. ________________

[Treasure Island Marina RFP]

AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO EXCLUSIVE NEGOTIATIONS FOR THE DEVELOPMENT OF THE TREASURE ISLAND MARINA

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority as a redevelopment agency under California redevelopment law with authority over the Base upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the Base which are subject to the Tidelands Trust, vested in the Authority the authority to administer the public trust for commerce, navigation and fisheries as to such property; and,

WHEREAS, The Tidelands Trust prohibits the sale of trust property into private ownership, generally requires that Tidelands Trust property be accessible to the public and encourages public-oriented uses of trust property that, among other things, attract people to the waterfront, promote public recreation, protect habitat and preserve open space; and,

WHEREAS, The Board of Supervisors approved the designation of the Authority as a redevelopment agency with powers over Treasure Island in Resolution No.43-98, dated February 6, 1998; and

WHEREAS, Under the Act and the Authority's Articles of Incorporation and Bylaws, the Authority, acting by and through its Board of Directors has the power, subject to applicable laws, to

sell, lease, exchange, transfer, convey or otherwise grant an interest in or right to use or occupy all or any portion of the real property located on the Base; and,

WHEREAS, A request for Proposals ("RFP") was issued by the City to evaluate proposals related to the development and expansion of the Treasure Island Marina (the "Marina"); and,

WHEREAS, Three firms submitted qualified responses to the RFP; and,

WHEREAS, A selection committee appointed by the City's Treasure Island Project Office (the "Selection Committee"), evaluated all three proposals; and,

WHEREAS, After concluding an initial review of the submissions based on the criteria stated in the RFP and observing the presentations each of the respondents made to the Authority at a public hearing held on July 15, 1998, the Selection Committee conducted interviews with the respondents; and,

WHEREAS, Thereafter, the Selection Committee finalized its evaluation and scoring of the respondents' proposals; and,

WHEREAS, Treasure Island Enterprises was the highest ranked respondent by the Selection Committee; and,

WHEREAS, Modern Continental was the second highest ranked respondent by the Selection Committee; now therefore be it

RESOLVED, That the Board of Directors of the Authority hereby authorizes the Executive Director of the City's Project Office to commence exclusive negotiations with Treasure Island Enterprises

to reach agreements for the development and leasing of the Treasure Island Marina and certain marina-related activities (the "Agreements"); and be it

FURTHER RESOLVED, That, because time is of the essence, in the event the Executive Director determines that negotiations with Treasure Island Enterprises are not proceeding in a satisfactory matter, the Executive Director may recommend to the Authority that she be authorized, by resolution, to commence negotiations with the next-highest ranked respondent, Modern Continental; and be it

FURTHER RESOLVED, That, upon completion of all necessary negotiations and environmental reviews, the Executive Director will submit to the Board of Directors for its approval a substantially final form of the Agreements.

CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting Secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed special meeting on November 4, 1998.

____

Notes

ACTION ITEM 5

Resolution approving sole source negotiations with GoldRush 2000 and San Francisco Sailing Center Foundation for use of Piers 11 & 12 in connection with Olympic Sailing Trials

I. **Introduction**

Please find below a brief summary for the purpose of authorizing the Project Office to enter into sole source negotiations with GoldRush 2000 and the San Francisco Sailing Center for the use of Piers 11 and 12 in connection with the upcoming Olympic Sailing Trials which are to commence in the Spring of 1999.

II. **Summary**

GoldRush 2000 has been named Host and Official Organizing Authority for the Team Selection Trials by the United States Olympic Sailing Committee (USOSC) for six of the eleven sailing disciplines at the Olympic Games to be held in Sydney, Australia in September, 2000.

The Project Office has been approached by members of GoldRush and the San Francisco Sailing Center in hopes to secure a site on Treasure Island for the upcoming Olympic Sailing Trials which are to commence in the Spring of 1999.

Attached is the initial proposal provided by GoldRush 2000 and the San Francisco Sailing Center.

The Authority may authorize the Executive Director to enter into sole source negotiations for the lease of real property upon a vote of 4/5 of its Board of Directors, provided the Authority makes certain findings with respect to such negotiations.

Such identifiable public benefits are substantially less likely to be realized by public solicitation because the Proposers have already been designated by the United States Olympic Sailing Committee as the Host and Official Organizing Authority for the Olympic sailing trials.

Some of the advantages of entering into an agreement with GoldRush 2000 are outlined below:

- World-wide promotion of Treasure Island and San Francisco Bay as an Olympic-class sailing venue.
- Public outreach to a diverse group of current and prospective sailors, with particular opportunities not currently available for members of the City's youth organizations to be introduced to and trained in sailing.
- Establishment of highly visible Olympic Training Center for 2000 Olympics.

- Direct liaison and access to members of the United States Olympic Committee (2012).
- Development of Clipper Cove Sailing Program with direct benefit to City Organizations.
- Provides safe and secure environments for teaching Youth programs.
- Capital improvements and rehabilitation of up to $200,000 donated to City.
- Reinforces maritime heritage of Treasure Island according to use plan.

III. Conclusion

The Executive Director and Project office staff shall report to the Authority during the course of the negotiations.

Proposal to Treasure Island Development Authority

presented by

GoldRush 2000 and the San Francisco Sailing Center Foundation

GoldRush 2000 has been named Host and Official Organizing Authority for the Team Selection Trials by the United States Olympic Sailing Committee (USOSC) for six of the eleven sailing disciplines at the Olympic Games to be held in Sydney, Australia in September, 2000.

The mission of GoldRush 2000 is to provide a centralized organizing committee which acts as the liaison between the athletes, host clubs and USOSC to offer first class race management, a consistent level of management excellence, and logistical support in administering the Team Selection Trials. As part of this mission, GoldRush 2000 seeks a site where Olympic sailors can train with their coaches, and store and maintain boats.

GoldRush 2000's charter does not allow it to act as a fund raising or lease holding entity, and it has chosen the San Francisco Sailing Center Foundation to represent its interests in discussions with the City.

The San Francisco Sailing Center Foundation is being founded for the purpose of encouraging donations in support of amateur sailing. The goals of the organization are focused in two primary areas: (1) developing sail training programs for amateur sailors to hone their competitive skills, and (2) developing a training site from which to coordinate these activities. The Foundation is a non-profit, public benefit corporation, authorized to accept tax deductible donations for the purposes specified in its articles of incorporation under section 501 (c) (3) of the Internal Revenue Code.

Consistent with these goals, the Foundation wishes to develop a youth sailing program at Treasure Island. This program, the Clipper Cove Sailing Program, will be open to students from various San Francisco Youth Organizations. The primary emphasis will be on sail training – teaching participants how to sail – including fundamentals of sail shape and sail trim, navigation, knot tying, electrical and mechanical systems, safety-at-sea, yacht design, and maritime history. On-water teaching will be supplemented with classroom sessions. Additional subjects might include seminars on boat maintenance, boat repair, mast rigging and introductory racing.

Further, the Foundation desires to develop a facility where amateur sailors can train and grow their skills, while also offering an excellent regatta venue for the entire San Francisco Bay sailing community.

San Francisco Sailing Center located at Piers 11 and 12 is the culmination of the vision shared by the two organizations highlighted above. In exchange for a nominal lease fee at Piers 11 and 12, the Foundation will fund the instructional costs of the Clipper Cove Sailing Program (estimated at $15 – 18,000 per year, as outlined below). The Foundation will rehabilitate Piers 11 and 12 with between $50-200,000 worth of improvements. Most of these improvements will be left for the City at the expiration of the lease term.

There are many compelling reasons why it makes sense to support the development of the San Francisco Sailing Center at Piers 11 and 12:

- Establishment of highly visible Olympic Training Center for 2000 Olympics.
- Direct liaison and access to members of the United States Olympic Committee (2012).
- Proves that Olympic-scale events can be privately funded with no loss to City.
- Development of Clipper Cove Sailing Program with direct benefit to City Organizations.
- Provides safe and secure environments for teaching Youth programs.
- Capital improvements and rehabilitation of up to $200,000 donated to City.
- Reinforces maritime heritage of Treasure Island according to use plan.
- Highlights and promotes non-polluting and alternative modes of transportation.

The sport of sailing enjoys broad support among San Franciscans. San Francisco sailors have won an impressive total of 9 Olympic medals since 1988. Over the last eight years the Bay area has sent more sailors to the Pre-Trials and Trials than any other US metropolitan area. There are two America's Cup campaigns currently organized out of the Bay Area.

With your help, GoldRush 2000 will continue to develop community support for sailing at all levels: from the complete novice to the Olympic athlete. We ask for your support in authorizing the lease of Piers 11 and 12, and help us be a part of the founding history of the San Francisco Sailing Center.

San Francisco Sailing Center

Proposed Capital Improvements

Phase One: Implemented in 1999	**Cost**
Hoist two ton: reconditioned, installed	10,000
Floating Docks: 8'x100'@$25/sq.ft.	20,000
Dinghy Ramp: 12'x48', ADA compliant	15,000
Training Center Rehab: seal roof, paint	0,000
Perimeter Fencing: 235'@$15.50/ft with 12' sliding gate	3,650
Pier 11 Fencing: 200'@$13.00/ft.	2,600
Electrical/Water/Sewer hookups	5,000
Bathroom rehab: 4 each WC, sinks, showers	18,000
Pier 11: resurface 44'x55'@4.75/sq. ft.	12,000
Maintenance	2,400
Architectural Fees and Permits	5,000
Miscellaneous	5,000
Subtotal	108,650
Phase Two - Implemented in 2000	
Hoist two ton: reconditioned, installed	10,000
Floating Docks: 8'x150'@$25/sq.ft.	30,000
Dinghy Ramp: 12'x 48', ADA compliant	15,000
Pier 11: resurface 82'x 100'@4.75/sq. ft.	38,450
Subtotal	93,450
Total Proposed Improvements	**202,100**

FILE NO. ____________________ RESOLUTION NO. ____________________

[Authorization For Sole Source Negotiations]

AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO SOLE SOURCE NEGOTIATIONS WITH GOLDRUSH 2000 AND THE SAN FRANCISCO SAILING CENTER FOUNDATION FOR A LEASE OF PIERS 11 AND 12.

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968, the California legislature (i) designated the Authority as a redevelopment agency under California redevelopment law with authority over the Base upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the Base which are subject to the Tidelands Trust, vested in the Authority the authority to administer the public trust for commerce, navigation and fisheries as to such property; and,

WHEREAS, The Tidelands Trust prohibits the sale of trust property into private ownership, generally requires that Tidelands Trust property be accessible to the public and encourages public-oriented uses of trust property that, among other things, attract people to the waterfront, promote public recreation, protect habitat and preserve open space; and,

WHEREAS, The Board of Supervisors approved the designation of the Treasure Island Development Authority (the "Authority") as a redevelopment agency with powers over Treasure Island in Resolution No. 43-98, dated February 6, 1998; and,

WHEREAS, The Authority has received a proposal from GoldRush 2000 and the San Francisco Sailing Center Foundation (collectively, the "Proposers") for the lease of Piers 11 and 12 for the following uses: (a) as an Olympic training venue for team selection trials for six of the eleven sailing disciplines at the Olympic Games to be held in Sydney, Australia, in September 2000; and (b) construction of a sailing facility for the training of amateur sailors, including 100 participants from City youth organizations; and

WHEREAS, Under Section 9 of the Rules and Procedures for Transfer of Real Property (the "Rules and Procedures") adopted by the Authority by resolution at its meeting on March 11, 1998, the Authority may authorize the Executive Director to enter into sole source negotiations for the lease of real property upon a vote of 4/5 of its Board of Directors, provided the Authority makes certain findings with respect to such negotiations, as set forth in Subsection 9(b) of the Rules and Procedures; and,

WHEREAS, The Authority hereby finds that proceeding with direct sole source negotiations with the Proposers is reasonably calculated to enable the Authority to realize identifiable public benefits such as the world-wide promotion of Treasure Island and San Francisco Bay as an Olympic-class sailing venue and public outreach to a diverse group of current and prospective sailors, with particular opportunities not currently available for members of the

City's youth organizations to be introduced to and trained in sailing; and,

WHEREAS, The Authority hereby further finds that such identifiable public beneifts are substantially less likely to be realized by public solicitation because the Proposers have already been designated by the United States Olympic Sailing Committee as the Host and Official Organizing Authority for the above-described Olympic sailing trials; and

WHEREAS, Based on the foregoing findings, the Authority wishes to authorize the Executive Director to enter into sole source negotiations with the Proposers for the lease of Piers 11 and 12; now, therefore, be it

RESOLVED, That the Authority hereby approves and authorizes the Executive Director to enter into sole source negotiations with the Proposers for the lease of Piers 11 and 12 for the above-described uses; and, be it

FURTHER RESOLVED, That the Executive Director shall report to the Authority from time to time during the course of the negotiations, as required under Subsection 9(c) of the Rules and Procedures; and be it

FURTHER RESOLVED, That, any agreements negotiated with the Proposers pursuant hereto shall require approval of the Authority pursuant to Subsection 9(d) of the Rules and Procedures.

CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting Secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed meeting on November 4, 1998.

____

Secretary

Approved 11/18/98

74

4/98
Special

Treasure Island Development Authority
Minutes of November 4, 1998 Special Meeting

1. Call to Order: 2:15 p.m. in the Meeting Room, Suite 3100, Port of San Francisco, Ferry Building

2. Roll Call:

Present: John Elberling, Vice Chair
Anne Halsted
Gerald Green (1:50)
James Morales
Doug Wong (2:20) left 2:45 and ret. 4:05)

Excused: Donna Provenzano

3. Resolution endorsing the southern alignment as preferred the alternative alignment for construction of the new East Span of Bay Bridge (*Action item*)

Ms. Conroy stated that City had hired Korve Engineering to evaluate both the MTC recommended northern alignment and a southern alignment and to develop an alternative alignment that is the least damaging alternative to Yerba Buena Island while addressing issues brought up by the Port of Oakland, the Coast Guard and the City of Oakland. Ms. Conroy stated that the new alternative has the support of the Navy and Mayor Brown. With the Authority's endorsement, the Mayor requested that the new alternative be shown to Bay Area legislators, Mayor-elect Jerry Brown and other policymakers. Ms. Conroy added that MTC has spent millions of dollars on bridge design even though the City of San Francisco has protested against MTC's recommended alignment for several months. Nevertheless, the design process has proceeded without a completed EIS. Comments to the draft EIS are due on November 23, 1998.

Ms. Conroy stated that the new southern alternative is straighter, safer, and would be cheaper to construct. One issue which remains to be addressed is East Bay Municipal Utility District's (EBMUD) sewer outfall into the Bay. However, because a bridge constructed on the new alignment would straddle the EBMUD outfall, it would add stability to both the new span and the outfall. Korve estimates the additional cost to straddle the bridge at approximately $3 million. The new alignment adds a larger park with more shoreline and takes only 0.8 acres of the Port of Oakland's developable land while adding 40% more developable land to YBI. Ms. Conroy noted that the Navy will not permit destruction to the historic structures on Yerba Buena. Ms. Conroy introduced Duncan Jones from Korve Engineers who discussed other benefits of the new alignment including the retention of the historic structures on Yerba Buena Island. Mr. Jones also discussed alternative plans for new ramps, and temporary detour structures to the new span on Yerba Buena Island.

Ms. Halsted asked about the depths of Bay muds and Mr. Jones responded that the muds were thicker on portions of the northern alignment. Mr. Green asked if this alignment would be part of the City's comments to Caltrans' draft EIS and Ms. Conroy responded that they would be. Mr. Elberling asked what would happen next and Ms. Conroy responded that the Authority could incorporate the alternative in its comments to the draft EIS as well as advocate the alternative in meetings with legislators and the new governor.

Mr. Elberling asked if the Authority could refuse to accept YBI property from the Navy and Ms. Conroy responded that that is one alternative that is being explored by the City Attorney. Mr.

Morales stated that Caltrans should be shown the alternative before the submission of EIS comments so that the Authority could work with them. Mr. Elberling and Mr. Green agreed.

Steve Heminger from MTC stated that Caltrans and MTC had engaged in a two-year design process, spent $40 million and were six months from the completion of design and little more than one year from construction. He added that the bridge design may not fit on the particular alternative alignment. He added that MTC has met with Mayor Brown to discuss ramp designs and funding but that no decision has been made on the design or funding of the ramps. They are, however, a priority for MTC.

Public Comment: Donald Spatny stated that an exciting design is needed for the span and with this alternative, there is no proposed design. What is needed is a bridge the caliber of the Golden Gate Bridge.

Mr. Elberling stated that he is stunned to hear from MTC that a decision on an alignment has been made without completing a final EIS as provided by NEPA. He stated that the action was indefensible legally and supported the staff's recommendation.

Mr. Morales moved an amendment to the proposed resolution indicating that TIDA staff will seek input on the proposed alignment from Caltrans, MTC and other appropriate agencies and report back to the Authority before submitting comments to Caltrans on the draft EIS.

Motion by Mr. Morales, seconded by Mr. Green, approved 4-0.

4. Resolution confirming recommendation of Selection Committee for operator of Treasure Island Marina and authorizing Project Office to commence exclusive negotiations therewith *(Action item)*

Ms. Conroy noted that the selection process had been managed by the City Attorney and Harbormaster Marianne Conarroe and introduced Ms. Conarroe who summarized the staff's recommendation that the Authority authorize negotiation with TIE. Ms. Conarroe stated that TIE had scored highest on business plan and financial criteria while Modern Continental had scored highest on the experience criteria. At Mr. Green's request, Ms. Conarroe named the members of the Selection Committee and Mr. Morales inquired about the scoring system's weighting methodology. Ms. Conarroe stated that the methodology for scoring was explained in the RFP and that each member scored individual elements. The members' scores were then averaged. Mr. Cohen stated the RFP did not indicate that there was a specific weighting for sub-categories.

Mr. Morales asked about the relationship between the master developer RFQ and the selection of the Marina operator. Ms. Conarroe responded that two of the three proposers had indicated that they also will respond to the Master Developer RFQ and that their proposals included development extending out from the Marina. Ms. Conarroe stated that the existing Marina needed prompt attention to get through the winter. Authority members discussed the issue in terms of time, policy and legal issues.

Mr. Elberling asked about a construction schedule and Mr. Green noted that a time frame was needed. Mr. Cohen stated that that such information could be included in the agreement of exclusive negotiations which would be brought back to the Authority for approval. Mr. Elberling asked about a construction deposit and Ms. Halsted agreed that triggers need to be specified. She also asked about the difference in corporate status among proposers and what any such

differences mean to the Authority. Ms. Conarroe stated that TIE brings in a greater amount of revenue to the City.

Comments by proponents:

Jay Wallace, representing TIE: Mr. Wallace introduced his team and stated that they were ready to go immediately and that his team was financially backed by the Yucaipa Companies and would provide the City with a construction guarantee if so requested. He stated that only his team guarantees the City $100,000 annually in rent after the first year. In addition, at such time a contract is signed with the City, the team will pay the City $90,000. The team is not requiring the City to sell bonds to finance Marina.

Redmond Kernan, representing Modern Continental, asked that because the scoring was so close with TIE, the item be continued so that a second opinion can be obtained. He stated that shoreside uses were not considered in the scoring but should be. He also stated that members of the Selection Committee had different fields of expertise and that it was unclear which team member was rating what particular aspect of the proposals. Mr. Kernan asked how the inclusion of the breakwater, which his team felt was not physically needed, was scored. He stated his opinion that his team had included the best public amenity – a combination pier and ferry terminal. Mr. Kernan did not recollect TIE's revenue guarantee as part of its original proposal. Mr. Kernan stated that he doesn't understand how TIE's financial qualifications rated higher than Modern Continental's. His team also would be willing to put up a construction guarantee.

Donald Jesberg, representing Westrec, stated that the criteria for selection were not clearly spelled out and also sought second opinion. He stated that his team had submitted extensive supplemental information and wanted an opportunity to make a presentation before the Authority.

Public Comment: Bruce Franks, TIHDI, stated that his organization was excited by the prospect of another employer on TI. He stated that TIE has jobs and that TIHDI looks forward to working with them

Mr. Green asked about the necessity of a breakwater and Ms. Connaroe responded that the breakwater was not required in the RFP but that it bestowed greater viability and the appeal of the concept. Ms. Conroy added that it would facilitate ferry access.

Mr. Morales asked if each of the developers had submitted updated financial information. Ms. Conarroe stated that financial statements were current to last January when the RFP responses were submitted. Mr. Morales suggested that the Authority seek more recent information, and asked if the review panel had looked at the actual operations of the marina operators and Ms. Conarroe responded that she had visited several marinas. Mr. Morales asked how her evaluation was quantified in the scoring. Mr. Morales stated he wanted to see detailed score sheets and updated financial statements in order to make a decision. Ms. Halsted stated she wanted to know the capitalization of each of the component firms of each developer team so that the Authority can negotiate more effectively.

Mr. Elberling asked about the provision of public access and Ms. Conarroe stated that each of the development teams provide public access along the landside. Mr. Elberling asked how much each of the proposers planned to spend on public access amenities.

Ms. Conarroe, in response to Mr. Elberling's question about the relationship between the number of slips in each proposal and revenue to the City, stated that a 600 slip Marina may exceed the

scope of both the RFP and the reuse plan which specified a 400 to 500 slip Marina as appropriate to TI.

Mr. Morales asked if information had been provided by the proposers on their willingness to operate the Marina only. Ms. Conarroe agreed to collect such information before the next regular meeting on November 18.

Authority members discussed whether the Authority had enough information to take action at the meeting and decided that additional information was necessary from all three proposers. Specifically, the items Authority members requested are:

1. updated financial statements
2. more information on the factors that led to the Selection Committee recommendation
3. documents relating to analysis of each proposers' business plan, including the Sedway report and the Port of San Francisco's report
4. public access proposals of each team
5. a schedule of performance from each developer

The Authority agreed to continue the item until the next regular meeting on November 18.

5. Resolution approving sole source negotiations with GoldRush 2000 and San Francisco Sailing Center Foundation for use of Piers 11 and 12 in connection with Olympic Sailing Trials *(Action item)*

Harbormaster Marianne Conarroe stated that the Olympic sailing trials in 1999 – 2000, which San Francisco will host, present a unique opportunity for Treasure Island and disadvantaged youth. The proponents have committed to upgrade Piers 11 and 12 for the trials. Ms. Conarroe introduced Matt Ciesicki, chair of GoldRush 2000, the official organizing authority for the sailing trials, who stated that the organization was a loose consortium of Bay Area yacht clubs.

Ms. Conarroe stated that the Sailing Foundation was intended to incorporate as a 501c3 and would provide sailing lessons to disadvantaged youth. The Foundation will work with city organizations. Mr. Elberling asked about plans to fund the group's capital improvement budget of $108,000.

Ms. Halsted stated that she was reluctant to sign an agreement with an organization that was not yet incorporated. Mr. Elberling agreed. Mr. Terry Anderlini, GoldRush 2000, stated that the organization was in a chicken and egg situation where they were reluctant to form an organization without a commitment to come to TI. Mr. Green stated that he would like to see evidence of progress before he was willing to vote on the matter.

Authority members agreed that evidence of a incorporation and a funding plan was necessary before they were comfortable in taking action, especially for sole source negotiations.

The Authority agreed to continue the item.

6. Public Comment — There was none.

7. Adjournment — The meeting was adjourned at 4:20 p.m

OFFICE OF THE MAYOR
SAN FRANCISCO

TREASURE ISLAND PROJECT
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TREASURE ISLAND
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(415) 274-0660
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WILLIE LEWIS BROWN, JR.

AGENDA

TREASURE ISLAND DEVELOPMENT AUTHORITY

CITY AND COUNTY OF SAN FRANCISCO

Ferry Building, Suite 3100
San Francisco, California

WEDNESDAY, NOVEMBER 18, 1998 1 PM
REGULAR MEETING

Willie L. Brown, Jr., Mayor

DIRECTORS

John Elberling, Vice-Chairperson
Gerald Green
Anne Halsted
James Morales
Donna Provenzano
Doug Wong

Annemarie Conroy
Executive Director
Mayor's Office Treasure Island Project

TREASURE ISLAND DEVELOPMENT AUTHORITY

Disability Access

The Treasure Island Development Authority will meet at the Port Commission office, located on the third floor of the Ferry Building, Suite 3100. The Port office is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) will be available. The closest accessible BART station is Embarcadero Station located at Market and Steuart Streets. The closest accessible MUNI Metro station is Embarcadero station located at Market and Spear Streets. Accessible MUNI lines serving the Ferry Building are the 9, 31, 32 and 71. For more information about MUNI accessible services, call 923-6142.

There is accessible parking at the Ferry Building and at the public lot in the Embarcadero median in front of the Ferry Building. Assistive listening devices are available for use in the Port Commission office.

For American Sign Language interpreters or use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact the Authority at (415) 274-0672 at least 72 hours before a meeting.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance [Chapter 67 of the San Francisco Administrative Code] or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force at 554-4851.

Lobbyist Ordinance

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Administrative Code 16.520-16.534] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 1390 Market Street, #701, San Francisco, CA 94102, telephone (415) 554-9510, fax (415) 703-0121 and web site http://www.ci.sf.ca.us/ethics/.

Treasure Island Development Authority
Ferry Building, Suite 3100
November 18, 1998 – 1:00 PM

ORDER OF BUSINESS

1. Call to Order
2. Roll Call
3. Approval of Minutes
4. Communications
5. Ongoing Business by Directors
6. Introduction of New Business by members
7. Report of the Treasure Island Project Director Annemarie Conroy
   - Report on access to Treasure Island including public use last month
   - Status of environmental clean up
   - Report on short term leases
   - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
   - Update on progress of development plan
   - EDC contract update
   - Distribution of draft Master Developer RFQ
   - Monthly Financial/Budget Report
   - Report on TIHDI
   - Legislation/hearings affecting Treasure Island
8. Presentation by Captain Richard Cairns, San Francisco Police Department, of security plan for Treasure Island
9. Resolution approving method of selection, procedures and notice for formation of Citizens Advisory Committee *(Action item)*
10. Resolution confirming recommendation of Selection Committee for operator of Treasure Island Marina and authorizing Project Office to commence exclusive negotiations therewith *(Action item)*
11. Public Comment

CLOSED SESSION

12. Pursuant to Sunshine Ordinance Section 67.11, the Treasure Island Development Task Force may go into Closed Session to discuss the following matters:

CONFERENCE WITH REAL PROPERTY NEGOTIATOR
Property: Up to 660 housing units on Treasure Island and Yerba Buena Island
Persons negotiating: Annemarie Conroy and Michael Cohen
Under negotiation:
Price___ Terms of payment __ Both x

The Treasure Island Development Authority will reconvene in Public Session. Discussion and vote pursuant to Sunshine Ordinance Section 67.14 on whether to disclose actions taken or discussions held in Closed Session.

13. Adjourn

Treasure Island Development Authority
410 Palm Avenue, Building 1
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San Francisco, CA 94130

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Next regular meeting: Wednesday, December 16, 1998 at 1 p.m.

A binder of supporting material is available for public viewing at the Mayor's Treasure Island Project office, 410 Palm Avenue, on Treasure Island and at the Government Information Center reference desk, Main Library, Civic Center.

Notes

Notes

Notes

Treasure Island Development Authority
Minutes of October 21, 1998 Regular Meeting

DRAFT

1. Call to Order: 1:15 p.m. in the Meeting Room, Suite 3100, Port of San Francisco, Ferry Building

Mr. Elberling announced that Dale Carlson had resigned from the Authority and that he, as Vice Chairman, would be acting a Chair of the Authority.

2. Roll Call: Present: John Elberling, Vice Chair
Anne Halsted
Gerald Green (1:50)
James Morales
Donna Provenzano
Doug Wong (left 1:30 and ret. 3:30)

3. Approval of Minutes:

The minutes of September 16, 1998 were unanimously approved.

4. Communications

The Commission Secretary noted that five letters had been received in support of wetlands on Treasure Island and that an additional letter had been distributed to Commissioners from SPUR relating to Item 10.

Mr. Elberling stated that unless other members of the Authority objected, Item7 (the Executive Director's report) would be considered next .

7. Executive Director's Report

Access: Ms. Conroy reported that many weddings had been held on TI and that thousands of people had visited TI during Fleet Week. From 1200 to 2000 cars were parked on TI each of the two weekend days. Other organized events were also held on the Island during the weekend. Staff had volunteered their time to help out as they do on all other open access weekends.

Environmental clean-up: Martha Walters reported that during August and September the Navy had been conducting testing on Site 12 and that she had been reviewing test results on the housing site. On October 28th she will review the results with other agencies and report back to the Authority. In addition, she has been reviewing with Geomatrix, consultants, the Navy's other environmental documents. Ms. Walters distributed copies of an initial feasibility study of wetlands for TI and announced that the Authority will be issuing an RFQ to select a consultant who will perform a more detailed assessment. Mr. Elberling requested that the RFQ for a more detailed study include the identification of funding for the development of wetlands.

Ms. Conroy reported that there were no new short-term leases.

Ms. Conroy reported that the deadline for submission to Caltrans and the federal Highway Administration of comments for the draft EIS for the new East Span of the Bay Bridge has been extended to November 23rd. To date, the Authority has funded two studies documenting the economic damage to

Yerba Buena Island by the northern alignment and the advantages of the southern alignment. Ms. Conroy stated that there will be a city-wide coordination of responses and that, in the meantime, the Project Office will develop a report which will be presented to the Authority at its next meeting. Ms. Conroy added that MTC Commissioners had visited the islands and that more visits are scheduled.

Master developer RFP, EDC consultant and budget: Ms. Conroy reported that one last change was being made to the master developer RFQ and that it would be brought to the Authority at the November meeting.

Finance Manager Eila Arbuckle reported that the evaluations of respondents to the RFP for Economic and Fiscal analysis were underway and a recommendation would be made to the Authority at the December meeting. She distributed a summary of the revenues and expenses for the first quarter of FY 1999 (July 1 1998 through September 30 1998) and noted that revenues were about 9% below projections and expenses were about 9% above projections. She attributed these budget variances to the loss of one half month's rental income from Building 3 and overly optimistic projections of when the housing revenues would accrue to the Project. Mr. Elberling requested that a balance sheet be prepared for the Authority's information.

TIHDI: Ms. Conroy reported that she had had several meetings with TIHDI and with John Stewart with respect to an agreement on the location and phasing of the rehabilitation of housing units.

Mr. Elberling asked about the existence of an access policy. Ms. Conroy responded that the Project Office is concluding the final review of the formulation of an access policy to respond to Supervisor Yaki's legislation. The report will contain a compilation of persons and groups visiting TI as well as the procedures entailed in planning a visit. Ms. Conroy added that with new residents living in rehabilitated housing, the access issue will disappear because fewer areas will be off-limits.

No hearing has been scheduled for Supervisor Yaki's legislation regarding the addition of members to the TIDA board. Ms. Conroy announced that the response to the1998 Civil Grand Jury had been submitted by the deadline.

Other items: Ms. Conroy invited all Authority members to the Mayor's State of the City address on Monday, October 26, 1998. She added that she will meet with Navy Secretary Cassidy to discuss Site 12 clean up and other conversion issues. Ms. Conroy announced that MTC's Ferry Plan, in the process of revision, contains $2.5 million in improvements (floats, etc.) to Pier l and that she spoke at the invitation of Ron Cowan, chair, at a meeting of the Bay Area Water Transit Task Force. Mr. Elberling inquired about the uses of the funds and the formulation of a capital improvement plan for ferry service.

5. Old Business

Mr. Elberling stated that he had had a transition meeting with former chair Dale Carlson and had list of six or seven items which needed updating. He asked about the existence of a security plan and Ms. Conroy responded that the security plan is part of the Cooperative Agreement. The particular section is not complete for today's meeting. Mr. Elberling requested that the plan be presented and Ms. Conroy responded that she would invite Captain Cairns to the next meeting.

Mr. Elberling inquired about the status of personal property to be transferred from the Navy to the City and Bob Mahoney, Facilities Manager, responded that that was also an item contained in the Cooperative Agreement (CA). He stated that a single data base was being set up and when base conversion was complete the items would be conveyed to the Authority and then on to City departments. Mr. Mahoney stated that current personal property consisted of 10 to 12 year old trucks and office

furniture which, although once quite valuable, is now estimated to be worth $1 to $100,000. Currently property is under the control of City departments but belongs to the Navy. Although some vehicles are kept off-island, they are done so in support of the island, where no gasoline is available. Mr. Elberling requested that the Authority be furnished a list of personal property when one is assembled.

Seismic risk evaluation: Mr. Cohen responded that although the Authority had received a report on interim measures, there was no required follow-up.

Mr. Elberling asked about efforts to coordinate and negotiate with the Job Corps and Ms. Conroy that she had been talking with the Job Corps about design issues and added that more coordination is necessary especially with regard to perimeter fencing and other design issues.

Mr. Elberling asked about the status of an RFP for operation of Casa de la Vista and Ms. Conroy responded that the subject will be addressed at the November meeting at the same time as the master developer RFP. She noted that if Casa, in addition to the Marina, the Job Corps and other sites, were excluded from the area to be developed in the RFQ that very little developable area would remain.

Mr. Elberling asked about the prospective leasing of Building 1 on an interim basis. Ms. Conroy responded that several issues related to the building are addressed in the Cooperative Agreement with the Navy. The Project Office received estimates of $2.1 million to seismically retrofit the building and that funding sources are being sought, including the Airport which has committed to reopen the Museum. Other expenses to lease the building include ADA compliance and the regulations of the State Office of Historic Preservation. The matter will also be addressed as part of the Master Developer RFQ.

Mr. Elberling asked about the status of the parking lot lease with Goodwill and Ms. Conroy responded that she would be meeting with them the following day. Mr. Elberling inquired about the status of a report on the operation of the bus and ferry system to TI over Labor Day weekend and Ms. Conroy responded that at the Authority's next meeting an extensive report on the Labor Day event would be furnished.

6. New Business

Mr. Elberling announced that TIHDI had held a very successful fundraiser on October 20th.

13. Public Comment

Ruth Gravanis- Ms. Gravanis complimented the Commission Secretary on the thoroughness of minutes for September 16th meeting, inquired when draft RFQ for the wetlands study would be available and mentioned passage of a Board of Supervisors resolution urging the Authority to develop a plan for public transit and a parking plan. Ms. Gravanis also inquired about Muni's schedule on weekends and noted that Supervisor Yaki's proposed legislation seeks the appointment of members of the CAC by the Board of Supervisors.

8. Resolution approving MOU with San Francisco Police Department for gymnasium *(Action item)*

Ms. Conroy stated that the San Francisco Police Department, as part of the move of the Police Academy from Diamond Heights to Treasure Island, has appropriated from $150,000 to $170,000 to seismically upgrade, remove friable asbestos and make ADA accessible, the gymnasium on Treasure

Island. Ms. Conroy stated that the cost of utilities and CAM charges, costly to the Authority, would be paid by the Police Department. She added that the gymnasium adds another public venue on TI. The theatre in Ashton Hall, also part of the project, is also appropriate for public meetings. The Police Department has agreed to permit the use of the gymnasium and theatre for special events on the weekends. The lease would be a five- year term. Mr. Morales asked about public use of the facility as the island becomes more populated. Mr. Green asked about the Authority's lease with the Navy for this property and was informed that the lease with the Navy was addressed in agenda item number 11.

Moved by Green, seconded by Halsted to adopt item 8, passed 5-0.

11. Resolution approving lease with Navy for Police Academy, Sheriff's Center (*Action item*)

Since the Authority could permit the Police Department's occupancy of the gymnasium only by leasing the property from the Navy, Item 11 was considered directly after Item 8 above. Ms. Conroy stated that buildings with the geographic area of the lease includes the jail, Delancey Street's Youth Center, administrative offices and the gymnasium. Mr. Green pointed out that the area and facilities addressed in the lease (Item #11) are larger than that considered in Item 8. Mr. Cohen noted that the Authority must approve subleases with the Police or Fire Departments before either is permitted to occupy the premises. Mr. Elberling asked about the Authority's financial obligations to the Navy under the lease and Ms. Conroy responded that CAM charges payable to the Navy are not due until the premises are actually occupied. In addition, Mr. Cohen stated that the Authority has specific maintenance and repair responsibilities. Mr. Elberling asked about hazardous materials and Facilities Manager Bob Mahoney replied that only non-friable asbestos had been found and that the Authority is not responsible for the remediation of hazardous materials. Mr. Green asked if other elements need clean-up and Mr. Cohen responded that as a general rule, the Authority is not responsible for existing conditions and that in each of the Authority's subleases, each sublessee is responsible for remediation.

Mr. Morales asked about broader obligations such as fire protection and suggested that perhaps the Authority should make explicit the level of service today and the Navy's expectations. He asked if the Navy recognizes and accepts the level of services. Facilities Manager Bob Mahoney stated that the Cooperative Agreement with the Navy contains a technical execution plan for each different function which the City provides. Deputy City Attorney Michael Cohen suggested that the Authority could ask for a letter from the Navy acknowledging that present service levels are adequate. Mr. Kenn Parsons, the Navy's Base Conversion Manager, stated that if levels were not adequate the Navy would not have signed the Cooperative Agreement (Item 12). He added that City standards for service are higher than the Navy's.

Commission members and staff also discussed how lessees acknowledged existing service levels. Mr. Morales stated that leases should cross-reference the Cooperative Agreement and specific technical execution plans for each function. It was also decided that in its cover letter to the Navy, the Authority should specify that by its signature the Navy accepts existing service levels.

Moved by Green, seconded by Halsted to adopt item 11, passed 5-0.

9. Resolution amending sublease with Delancey Street (*Action item*)

Mr. Cohen highlighted the amendments to the Delancey Street sublease which was approved by the Authority on September 16, 1998. He stated that the amendments facilitated TIHDI's, Delancey Street's and the Authority's concerns and provide that the Delancey Street sublease shall be subordinate

to the TIHDI agreement. In the event that there was a conflict between TIHDI and Delancey Street, that TIHDI would prevail. Mr. Cohen stated that he had reviewed the HUD agreement and found no inconsistencies between the Delancey Street sublease and the agreement with respect to TIHDI.

Sherry Williams, TIHDI, thanked the Authority, Ms. Conroy and Mr. Cohen for incorporating TIHDI's concerns and stated that she looked forward to working with Delancey Street.

Moved by Ms. Provenzano, seconded by Green to adopt item 9, passed 5-0

10. Resolution approving method of selection, procedures and notice for formation of Citizens Advisory Committee *(Action item)*

Ms. Conroy stated that material had been distributed detailing the selection process for members and the responsibilities of the CAC and procedures for its operation. Mr. Green acknowledged receipt of two letters, one from SPUR and another group commenting on the make up the CAC. Mr. Elberling asked for public comment.

Redmond Kernan advocated defining the categories more broadly.

Ruth Gravanis commented on the application, noting inconsistencies regarding the designations of TIDA staff. She also noted several areas of expertise were missing, including knowledge of nature, ecology, and biodiversity. She urged a special seat for wetlands, expertise in public trust, sustainable development, and social justice. She stated that the responsibilities of staff in relation to the CAC had been omitted, commented on the election of officers and stated that staff should provide logistical support. Ms. Gravanis suggested that TIDA should proceed with recruitment and delineation of appointment procedures and delay actual appointment until the Board of Supervisors decides whether it should appoint some members.

Eve Bach, Arc Ecology, complimented staff on the circulation of the document. She supported Ms. Gravanis' comments and stated that the broadest range of opinions would be the most useful in building citywide consensus. She stated that she disagreed with SPUR's proposal.

Mr. Morales stated that the categories should be inclusive. He added that the Authority should inform the Board of Supervisors about the formation of the Citizens Advisory Committee. Ms. Halsted agreed that the categories needed reworking since those areas of expertise change over time. Mr. Green agreed that the scope of the categories was too narrow but also agreed that a land planner and architect were desirable. Ms. Conroy stated that the first 15 categories were the product of a February 25, 1998 resolution. Ms. Halsted suggested that the Authority make the categories desirable skill sets that the Authority is seeking. Mr. Green stated that the categories should be considered areas of interest or expertise and that the categories should be expanded without increasing the number of members. Mr. Elberling suggested that the Authority be inclusive and that the list of categories include essence of Ms. Gravanis' letter and SPUR's letter as well as recreational users. There was agreement that the scope of categories should be increased and that the Project Office should go forward in designating the list of categories as desired areas of interest and expertise. Ms. Halsted stated that natural science and biodiversity should be added. .Mr. Elberling urged the Authority to vote on the item at the meeting and not wait for Board action. Ms. Conroy stated that staff could rework and start circulating materials indicating that recruitment has started. At the next Authority meeting, the resolution would be revised to reflect enlarging the categories. Mr. Green agreed that in the absence of a hearing date before the Board of Supervisor, we should go forward in letting the public know of initiation of the CAC but to continue the item to revise the resolution. Mr. Green suggested that the Authority send a letter to Supervisor Yaki Board seeking qualified applicants and asking for more additional categories.

Motion by Mr. Green to continue the item, seconded by Ms. Halsted, approved 5-0.

12. Resolution approving Cooperative Agreement with U.S. Navy for 1998-1999 (*Action item)*

Ms. Conroy stated that the Project Office had completed negotiations with the Navy for another $4 million grant, the same amount as last year. This final grant, however, ends in October, 1999. Ms. Arbuckle stated that the purpose of the Agreement is for the Navy to fund basic services for the islands that are delivered through City departments. The annexes have been consolidated into six functions or basic services. Ms. Arbuckle compared this year's allocations with the previous agreement. This year more funds have been allocated to personal property maintenance and to obtain more support staff and more funds for telephone cable maintenance. When properties are leased, maintenance become the responsibility of the lessee.

Eve Bach inquired about storm water issues and stated that the city was responsible for activities that it has no control over. Mr. Cohen responded that those concerns had been examined by the City Attorney.

Motion to approve by Mr. Green, Seconded by Mr. Morales, approved 5-0

14. Closed session

(a) The Authority met in closed session to evaluate the Treasure Island Project Office staff's performance of its duties under the Agency Agreement by and between the City's Treasure Island Project Office and the Treasure Island Development Authority.

Discussion and vote on whether to disclose action taken or discussions held in Closed Session.

Motion that the Treasure Island Development Authority elects at this time not to disclose its closed session deliberations. Passed unanimously.

(b) The Authority met in closed session to discuss property negotiations regarding 660 units of housing on Treasure and Yerba Buena islands

Discussion and vote on whether to disclose action taken or discussions held in Closed Session. Motion that the Treasure Island Development Authority elects at this time not to disclose its closed session deliberations. Passed unanimously.

15. Adjourned The meeting adjourned at 5:00 p.m.

Notes

TREASURE ISLAND DEVELOPMENT AUTHORITY
LETTERS RECEIVED FROM OCTOBER 8 TO NOVEMBER 13, 1998

RECEIVED FROM	
Jim Sane and Lupe Robles Sane	Letter supporting wetlands

RECEIVED OCT 0 8 1998

3818 Thrush Court
Santa Clara, CA 95051
October 7, 1998

Mr. Dale Carlson, Chair
Treasure Island Development Authority
410 Palm Avenue
Building One, Room 237, Treasure Island
San Francisco, Ca 94130

Dear Mr. Carlson:

We are not residents of San Francisco but love it nevertheless. The City once had a slogan, "The City That Knows How". Whether or not it's still in use, we hope "The City" still does know how and that it will do the proper thing regarding the TI Wetlands Project.

We were pleased to hear that the project had received a grant to provide assistance to the City in making the wetlands a reality but disappointed that the Planning Department is thinking of locating the wetlands at the northwest end of the island--a site not biologically appropriate. Perhaps, also, the department is not giving this project serious consideration.

We urge you to support the idea of creating well-designed, multi-function wetlands on Treasure Island, based on the best science. Help San Francisco lead the way. We must all do what we can to sustain such an important project--and to to show that it is possible to combine development and the natural wonders of this beautiful area.

Sincerely,

Jim Sane Lupe Robles Sane

Jim Sane and Lupe Robles Sane

TREASURE ISLAND PROJECT
410 AVENUE OF THE PALMS
BUILDING 1, 2ND FLOOR
TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660
FAX (415) 274-0299

October 21, 1998

Jim Sane and Lupe Robles Sane
3818 Thrush Court
Santa Clara, CA 95051

Dear Mr. and Mrs. Sane:

Thank you for your thoughtful letter to the Treasure Island Development Authority regarding the creation of wetlands on Treasure Island. As part of our planning and environmental review process, we are currently considering the feasibility of developing wetlands on the island.

We appreciate your interest in the future of Treasure Island.

Sincerely,

John Elberling
Vice Chair, Treasure Island Development Authority

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Post-it® Fax Note 7671	Date 11/12	# of pages ▶ 4
To Joan Rummelsburg	From Len Marschner	
Co./Dept.	Co.	
Phone #	Phone # 554-7901	
Fax # 274-0299	Fax #	

FILE NO. ____________________

[Treasure Island Development Authority]

DIRECTING THE TREASURE ISLAND DEVELOPMENT AUTHORITY TO AMEND ITS BYLAWS AND ARTICLES OF INCORPORATION TO EXPAND THE NUMBER OF DIRECTORS OF THE BOARD OF DIRECTORS OF THE AUTHORITY TO INCLUDE THREE ADDITIONAL EX OFFICIO MEMBERS-THE THEN-SITTING PRESIDENT OF THE BOARD OF SUPERVISORS, CHAIR OF THE ECONOMIC DEVELOPMENT COMMITTEE AND CHAIR OF THE HOUSING COMMITTEE; REQUIRING 30-DAYS PRIOR NOTICE OF AMENDMENTS TO THE AUTHORITY'S COMPETITIVE BIDDING RULES AND PROCEDURES; URGING THE AUTHORITY TO MONITOR AND PARTICIPATE IN NEGOTIATIONS WITH THE NAVY REGARDING CONVEYANCE OF THE BASE, AND DIRECTING THE AUTHORITY TO ESTABLISH A CITIZENS ADVISORY BOARD WITHIN 30 DAYS OF THE EFFECTIVE DATE OF THIS RESOLUTION TO BE COMPRISED OF 25 PERSONS, 14 OF WHOM SHALL BE APPOINTED BY THE MAYOR AND 11 OF WHOM SHALL BE APPOINTED BY THE BOARD OF SUPERVISORS.

WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the Treasure Island Development Authority (the "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for the public interest, convenience, welfare and common benefit of the inhabitants of the City and County of San Francisco; and,

WHEREAS, Absent special state legislation, conversion of the Base to productive civilian reuse would be subject to multiple

SUPERVISOR MICHAEL YAKI
BOARD OF SUPERVISORS

and potentially duplicative levels of review by a number of separate state and local governmental bodies, including both the San Francisco Redevelopment Agency Commission and the City's Port Commission, that may make the conversion of the Base for use by all San Francisco residents and in the public benefit substantially more difficult and time consuming; and,

WHEREAS, To cure certain inefficiencies created by duplicative levels of review and to provide a means for mitigating the serious economic impacts of the closure of the Base on the City, its surrounding communities and the State, the California legislature enacted the Treasure Island Conversion Act of 1997 (the "Act"); and,

WHEREAS, The Act consolidates existing state powers Essential to the reuse of the Base in the Authority by vesting in it both redevelopment authority over the Base and, with respect to those portions of the Base which are subject to the public trust for commerce, navigation and fisheries (the "Tidelands Trust"), the authority to administer the Tidelands Trust as to those portions of the Base; and,

WHEREAS, In accordance with the Act, the Board of Supervisors approved the designation of the Authority as a redevelopment agency with powers over Treasure Island in Resolution No. 43-98, dated February 6, 1998; and

WHEREAS, On May 11, 1998, the Board of Supervisors adopted Resolution NO. 314-98, directing the Authority to, among other things, adopt certain competitive rules and procedures regarding the

transfer of real property and the solicitation of goods and services (the "Competitive Bidding Rules and Procedures"); now, therefore, be it

RESOLVED, That the Authority is hereby directed to amend its Bylaws and Articles of Incorporation as necessary to provide for the addition of three (3) non-voting, *ex offico*, members of the Board of Directors, one of whom shall be the then-currently sitting President of the Board of Supervisors, one of whom shall be the then currently sitting Chair of the Economic Development Committee of the Board, and one of whom shall be the then currently sitting Chair of the Housing Committee of the Board (together, the "Ex-Offico Directors"); and be it

FURTHER RESOLVED, That, in the event one or more of the Ex-Offico Directors is unable to attend a meeting or meetings of the Authority, the President of the Board of Supervisors shall appoint other members of the Board of Supervisors to fill such vacancies and sit as the Ex-Offico Directors for such meeting or meetings by submitting written notice of such appointment to the Clerk of the Board; and be it,

FURTHER RESOLVED, That the Authority shall not materially amend or modify the Competitive Bidding Rules and Procedures without first providing at least 30 days prior written notice to the Board of Supervisors; and be it,

FURTHER RESOLVED, That the Board hereby urges the Authority to closely monitor the negotiations with the Untied States Navy

regarding conveyance of the Base, and, to the extent practicable, to regularly include in such negotiations one or more members of the Treasure Island Development Authority Board of Directors, as well as one or more representative from the offices of San Francisco's Federal representatives; and be it,

FURTHER RESOLVED, That, within thirty days of the date of this Resolution, the Authority shall adopt a resolution providing for the formation of a Citizens Advisory Board ("CAB") consisting of 25 members, 14 of whom shall be appointed by the Mayor and 11 of whom shall be appointed by the Board of Supervisors; and be it,

FURTHER RESOLVED, That the members of the CAB shall elect one of their members to serve as Chairperson, which Chairperson shall, among other things, provide a report at each regularly scheduled meeting of the Authority; and, be it

FURTHER RESOLVED, That the Authority is hereby directed to immediately take all steps necessary to promptly effectuate the provisions of this Resolution.

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AGENDA ITEM

Treasure Island Development Authority

City and County of San Francisco

Subject: Adopting guidelines for the selection of members, additional categories of expertise to be represented on the CAC and ules and procedures for the governance and operations of the CAC

Agenda No. 9

Contact Person/Phone: Annemarie Conroy Meeting Date: November 18, 1998

BACKGROUND AND DESCRIPTION OF PROPOSED ACTION: On February 25, 1998 the Authority approved rules and procedures (Resolution 98-07-2/25) for the creation of a CAC including the provision that the CAC be composed of up to 25 members representing specific categories of expertise. The resolution also provided that prior to presenting prospective members to the Authority for selection, the Authority would review selection guidelines, recommendations for additional categories of expertise and proposed rules and procedures for the governance and operations of the CAC.

At the Authority's October 21, 1998 the Authority agreed that rather than narrow categories of expertise, the CAC should draw members of the public who had specific areas of interest and expertise and requested that staff increase the number of these areas. The resolution and Exhibit A has been revised to reflect those wishes.

SUMMARY OF ACTION: Exhibit A specifies that recruitment will include, but not limited to notices in newspapers, the Board of Supervisors and the San Francisco Public Library, that the Authority will select members upon the recommendation of TIDA staff, which will base its recommendations on specific criteria. Each nominated member must appear before the Authority before an appointment can be made.

ATTACHMENTS: The procedures for setting the agenda, attendance requirements and the mission and responsibilities of the CAC are set out in Exhibit A. An application form and recruitment notice are also attached.

FILE NO. **RESOLUTION NO.**

[Citizens Advisory Committee]

ADOPTING GUIDELINES FOR THE SELECTION OF MEMBERS OF THE TREASURE ISLAND CITIZENS ADVISORY COMMITTEE AND RULES AND PROCEDURES FOR THE GOVERNANCE AND OPERATIONS OF THE CITIZENS ADVISORY COMMITTEE

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 3342.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California Legislature (i) designated the Authority as a redevelopment agency under California redevelopment law with authority over the Base upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the Base which are subject to the Tidelands Trust, vested in the Authority the authority to administer the public trust for commerce, navigation and fisheries as to such property; and

WHEREAS, The Tidelands Trust prohibits the sale of trust property into private ownership, generally requires that Tidelands Trust property be accessible to the public and encourages public-oriented uses of trust property that, among other things, attract people to the waterfront, promote public recreation, protect habitat and preserve open space; and

WHEREAS, The Board of Supervisors approved the designation of the Authority as a redevelopment agency with powers over Treasure Island in Resolution No. 43-98, dated February 6, 1998; and

WHEREAS, This resolution calls for the appointment of a Citizens Advisory Committee (CAC); and

WHEREAS, The Bylaws of the Authority authorize the Directors to establish a CAC to advise the Authority on issues of public interest regarding the Base; and

WHEREAS, In order to gather public input and opinion from diverse communities, areas of expertise and points of view in San Francisco, and to provide additional expertise to the Authority, it is important to the development of Treasure Island to create a CAC; and

WHEREAS, The Authority approved Resolution 98-07-2/25 on February 25, 1998, adopting rules and procedures for the creation of a CAC including a provision that the CAC be comprised of up to 25 members including members representative of specific categories of expertise; and

WHEREAS, Resolution 98-07-2/25 provided that prior to presenting prospective members to the Authority for selection, the Authority shall consider and review (i) guidelines for the selection of members, (ii) recommendation for additional categories of expertise to be represented on the CAC, and (iii) proposed rules and procedures for the governance and operations of the CAC; and

WHEREAS, As specified in Exhibit A, outreach efforts will include notices to newspapers, the Board of Supervisor, the San Francisco Public Library, established organizations, current applicants to Board and mayoral commissions and boards, and the Authority's mailing list.

WHEREAS, The proposed tasks and duties, rules and procedures for governance and operations are contained in Exhibit A; and be it

RESOLVED, That the Board of Directors of the Authority hereby adopts these guidelines for selection of members, the articulation of the types of general categories of expertise and interest to be represented on the CAC and rules and procedures for its governance and operations; and be it

FURTHER RESOLVED, That TIDA staff will review each applicant for membership category, community involvement and usefulness in achieving the objectives of the CAC and will recommend to the Authority a full complement of 25 members and each nominated member will be required to appear before the Authority before an appointment will be made; and be it

FURTHER RESOLVED, That to the extent this resolution is in conflict with Resolution No. 98-07-2125, the terms and conditions of this resolution shall control.

EXHIBIT A

To: Members, Treasure Island Development Authority (TIDA)
From: Executive Director, Annemarie Conroy
Re: Treasure Island Citizen's Advisory Committee (TICAC)
Date: November 18, 1998

On February 25, 1998, the Treasure Island Development Authority approved Resolution 98-07-2/25 adopting rules and procedures for the creation of a citizens advisory committee. The resolution directed the establishment of a CAC of up to 25 members. That resolution also provided that additional categories could be added from time to time as deemed necessary by the Authority.

Resolution 98-07-2/25 further specified that before presenting prospective members to the Authority for selection, TIDA staff should present to the Authority for its consideration and review, guidelines for the selection of members, additional categories of expertise to be represented on the CAC and rules and procedures for its governance and operations.

On October 21,1998, in response to public testimony and discussion among its members, the Authority asked TIDA staff to expand the number of categories and to consider the categories as areas of interest or expertise to be represented rather than specific, limiting categories in which one member is selected for each general category.

In response, the following areas of interest and expertise are proposed as the categories of general interest and expertise which should be reflected in the membership of the CAC.

- Land use and urban planning and architecture;
- Transportation planning and alternative and mass transit;
- Historic conservation and preservation, including expertise and/or interest in cultural resources;
- Engineering and construction, including expertise and/or interest in geotechnical and structural engineering, public infrastructure and large-scale project management;
- Real estate development and financing;
- Economic development and job generation and organized labor;
- First-Source hiring, welfare to work and other 'job-broker' programs directed at economically disadvantaged San Franciscans;
- Affordable and low-income housing;
- Marine related activities, including expertise and/or interest in boating, board sailing and fishing;
- Natural resource preservation and conservation, including expertise and/or interest in wetlands, open space, and greenbuilding and sustainable development
- Environmental and toxic remediation and control, including, representation of the Treasure Island RAB;
- Tideland trust and public access;
- Open-meeting laws;
- Recreational and athletic opportunities and programs;
- Representative of public safety officers on Treasure Island;
- Representative of TIHDI;
- Representative of Job Corps
- Representative of Treasure Island Elementary School;
- Representative of film production industry; and
- Representative of residential tenants on Treasure Island

Solicitation of TICAC members

TI Project Staff will prepare a notice describing the purpose and composition of the TICAC and a brief application form. These materials will be mailed to the current TIDA mailing list and key citywide organizations, posted at the Main Library, sent to the Board of Supervisors for posting, and sent as an informational item to the Chronicle, Examiner, Independent and neighborhood newspapers.

The Mayor's Office and the Board of Supervisors have many applications for appointments to boards, commissions, citizens advisory commissions and task forces. The TI Project Office will work with both offices to review applications on file of parties interested in serving the City in this capacity. The Treasure Island Project Office will also solicit suggestions of board members from established, recognized organizations. If we do not receive enough applications for all positions, we will target a mailing to specific organizations whose members may represent a particular category.

Eligibility

A potential member shall:

Complete an application. (In the form attached)
Be a resident of the City and County of San Francisco (unless exempted by a motion of the TIDA)
Be representative of at least one category of interest or expertise

Process for selection - After the deadline for acceptance of applications, Project Office staff will first screen applications for broad category representation, previous community involvement and how the applicant's skills and energies could best be utilized in assisting TIDA in its mission and in taking an active, productive role in the Citizens Advisory Committee.

TIDA staff will make all applications received, available to Authority members and recommend to the Authority a full complement of 25 members based on the above criteria. TIDA staff will furnish the Authority with specific justification for the selection of each recommended member. Each member will be required to appear before TIDA before an appointment will be made.

Application requirements and Composition of the TICAC
The TIDA will make every effort to choose TICAC members who are reflective of the people of San Francisco. The Authority shall not discriminate on the basis of race, national origin, color, religion, sex, sexual orientation, gender identity, age or disability. Selected members will be required to complete a "Statement of Economic Interest" form for the purpose of screening potential conflicts of interest.

TICAC Rules and Procedures for Governance and Operations

The Project Office will make a recommendation for Chair and Vice Chair of the CAC. The Authority shall appoint the chairperson and vice chairperson and the 23 persons representative of the aforementioned 25 categories to the CAC. The committee members shall serve without compensation for a two-year period. The Citizens Advisory Committee will conform to the California Political Reform Act, the Ralph M. Brown Act and the Sunshine Ordinance. The Authority shall call the first meeting, and either the Authority or the chairperson of the committee may call subsequent meetings of the committee, setting the time and place of said meetings. Agendas for any meetings shall be determined by the chair, and the TI Project Office will be apprised of agenda items in a timely manner. The Authority or the Project Office may request the calendaring of items on the CAC agenda. Once constituted, the Authority will present by-laws detailing the duties and election of officers, parliamentary authority, frequency, time and location of meetings, amendment of by-laws and majority/minority reports for consideration by the CAC. The specific mission of the CAC is reflected in the following responsibilities:

(1) Reflecting the community values in the development of Treasure Island, and in channeling that mission back to the community;

(2) Providing recommendations to the Authority concerning the final reviews and implementation of the Base Reuse Plan, policies and objectives for interim reuses and other matters of importance to the future of Treasure Island and all citizens of San Francisco;

(3) Proposing and examining solutions to Treasure Island's constraints: access, seismic problems and aging infrastructure;

(4) Learning about Treasure Island and advocating uses which truly benefit San Franciscans; and

(5) Developing a set of activities and land uses for Treasure Island which fulfill economic, social and environmental objectives.

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OFFICE OF THE MAYOR
SAN FRANCISCO

TREASURE ISLAND PROJECT
410 AVENUE OF THE PALMS
BUILDING 1, 2ND FLOOR
TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660
FAX (415) 274-0299

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

SENT TO ALL THREE PROPOSERS

November 5, 1998

Mr. Alan G. Hobelman
Regional Project Director
Modern Continental Companies, Inc.
1888 Century Park East, Suite 1912
Los Angeles, CA 90067

VIA FACSIMILE

Dear Mr. Hobelman:

As a follow-up to yesterday's request by the Directors of the Treasure Island Development Authority, I am asking for your team to provide the most recent financial statements for each of the entities participating in your proposal.

Please provide the financial information to our office no later than 12:00 noon on Monday, November 9, 1998.

Sincerely,
Marianne Conarroe
Marianne Conarroe

cc: All members of the Treasure Island Development Authority
All Respondents to the Treasure Island Marina RFP

WESTREC MARINAS
16633 Ventura Boulevard • 6th Floor, Encino, California 91436-1835 • (818) 907-0400 • FAX (818) 907-1104

Marianne Conarroe
Treasure Island Project
410 Avenue of the Palms
Building 1, 2nd Floor
Treasure Island
San Francisco, CA 94130

VIA FACSIMILE

November 6, 1998

Dear Marianne,

We are in receipt of your Facsimile dated November 5, 1998 requesting additional financial information from Westrec for your use in connection with our submission to your RFP for Clipper Cove. Tom Hogan, Westrec's Senior Vice President, is currently out of the office and will be sending that information to you upon his return next week

In light of the three months taken by your review committee to provide a recommendation to the Treasure Island Development Authority a two-day response time for updated information is unrealistic. We will act promptly to get the information to you in a complete manor.

We are anxious to be included in all discussions on a possible developer for Clipper Cove. We would also appreciate having a copy of any pertinent information about the scoring system and outside reports prepared in evaluating the various proposals. This may include the Sedway report reference in the TIDA meeting on November 4, 1998 and any input provided from the Port of San Francisco's Finance Director's Office.

We appreciate your willingness to work with all the respondents to your RFP to make complete and accurate presentation to the TIDA. Please give us advance notice of any meeting that becomes scheduled for the review process.

Sincerely,

Donald Jesberg
Vice President

OFFICE OF THE MAYOR
SAN FRANCISCO

TREASURE ISLAND PROJECT
410 AVENUE OF THE PALMS
BUILDING 1, 2ND FLOOR
TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660
FAX (415) 274-0299

WILLIE LEWIS BROWN, JR.

November 6, 1998

VIA FACSIMILE

Donald Jesberg
Vice President
Westrec Marinas
16633 Ventura Blvd., 6th Flr
Encino, CA 91436

Dear Mr. Jesberg:

This acknowledges receipt of your letter of today's date. You should be aware that I do not have the ability to waive the Authority's timeline with respect to the requested documents. I will, however, be happy to pass your letter onto the Board for consideration in the event I do not receive your documents on time.

Sincerely,

Marianne Conarroe

Marianne Conarroe
Harbormaster

OFFICE OF THE MAYOR
SAN FRANCISCO

TREASURE ISLAND PROJECT
410 AVENUE OF THE PALMS
BUILDING 1, 2ND FLOOR
TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660
FAX (415) 274-0299

WILLIE LEWIS BROWN, JR.

March 20, 1998

Tom Hogan
Senior Vice President
Westrec Marinas
16633 Ventura Boulevard, 6th Flr
Encino, CA 91436

SUBJECT: Treasure Island Marina Proposal

Dear Mr. Hogan:

As you know, your response to the Treasure Island Marina is currently under review. It has come to our attention that additional information is needed from all respondents to uniformly provide the following information by Friday, March 27, 1998.

Please provide a 15 year cash flow analysis for the Marina portion only of the project including the following information. (You do not need to include optional, add-on or non-marina use facilities.)

COSTS	Development costs (including hard construction costs)
INCOME	Gross Income and rental rates Vacancy rate Net Income Operating expenses (broken down by category) Escalation factors Debt Service Net Operating Income
FINANCING	Financing plan including amount and source of debt and equity. Debt should include expected length of term, interest rate, and annual debt service.

FINANCIAL ANALYSIS

Net Present value of the income stream from the project using a 9% discount rate, including payments to the City, project incomes, and internal rate of return.

Please send this information to the Mayor's Treasure Island Project Office, 410 Palm Avenue, Building 1-Treasure Island, San Francisco, CA 94130.

Thank you for your interest in Treasure Island and your cooperation regarding this request.

Sincerely,

Marianne Conarroe

Marianne Conarroe
Harbor Master

C: Dale Carlson, President, Treasure Island Development Authority
Members of the Marina Review Panel
Robert Bryan, Deputy City Attorney
Michael Cohen, Deputy City Attorney

WESTREC MARINAS
16633 Ventura Boulevard • 6th Floor
Encino, California 91436-1835
(818) 907-0400 Fax (818) 907-1104

March 26, 1998

Marianne Conarroe
Harbor Master
Treasure Island Project
Building 1, 2nd floor
Treasure Island, CA 94130

Re: Clipper Cove Marina
Treasure Island

Dear Marianne:

We are responding to your letter dated March 20, 1998 and have enclosed for review the following items: Project rent roll, Total cost breakdown and improvement schedule, and Financial income and expense summaries.

As you requested the items include improvements specific to maintain operations and functions. Enclosed from our RFP submission are the restaurant, yacht club facilities and dry storage components.

Westrec and Commercial Assets (CAX) or debt instruments investment in the marinas will be on an all cash basis without any financing requirements. We will forward under separate letter a summary of our agreement with CAX prior to the hearing on April 15, 1998.

While we appreciate the necessity to compare the marina proposals it is important to note that a successful marina depends upon landside components. Each marina has its own personality and the combination of docks and services is key to performance. We have many examples of these type of projects within our portfolio.

St. Francis Yacht Club represents an important role in our proposed development and to discount its benefits to Treasure Island and the City effects the overall performance of the site. The yacht club is hosting the 1999 Olympic trials and annually has a number of significant major sailing events i.e. both world and national championships. These events provide substantial economic benefits and public recognition to the area. The other proposed improvements are important pieces to the total project and also provide significant benefit.

Marianne Conarroe
Page Two

The above comments stem from our knowledge and experience in marina operations. The Treasure Island marina has great potential and we are committed to developing a successful project based upon the demands of the local marina community.

Please call us if you have any questions regarding the enclosed and we look forward to next months presentation.

Very truly yours,

Thomas J. Hogan
Sr. Vice President

CLIPPER COVE
INCOME SCHEDULE

PHASE I

A. SLIPS

QUANTITY	LENGTH	LINEAL FT.	MO RENTAL RATE	ANNUAL RENTAL
28	36	1,008	8.00	96,768
108	48	5,184	8.50	528,768
72	52	3,744	9.00	404,352
4	64	256	10.00	30,720
8	72	576	12.00	82,944
4	80	320	12.00	46,080
224	49.8 AVERAGE	11,088	8.94 AVERAGE	1,189,632

VACANCY @ 7%	83,232
EFFECTIVE GROSS INCOME	1,106,400

B. MOORINGS

	QUANTITY	DAILY RENTAL	DAYS OCCUPIED	ANNUAL RENTAL
SUMMER	30	25.00	104	78,000
WINTER	30	25.00	52	39,000
	60			117,000

VACANCY @ 7%	83,272
EFFECTIVE GROSS INCOME	33,728

PHASE I
TOTALS

A. SLIPS	1,106,400
B. MOORINGS	117,000
TOTAL PHASE I	1,223,400

CLIPPER COVE
INCOME SCHEDULE

PHASE II

F. SLIPS

QUANTITY	LENGTH	LINEAL FT.	MO RENTAL RATE	ANNUAL RENTAL
64	32	2,048	7.00	172,032
53	36	1,944	8.00	186,624
5	40	200	8.00	19,200
48	44	2,112	8.50	215,424
18	48	864	8.50	88,128
3	64	192	10.00	23,040
7	80	560	12.00	80,640
198	39.2 AVERAGE	7,920	8.13 AVERAGE	785,088

VACANCY @ 7%	54,988
EFFECTIVE GROSS INCOME	730,100

G. GAS DOCK

	QUANTITY	NET RATE	ANNUAL INCOME
FUEL	120,000 GAL.	.25/GAL	30,000

	GROSS SALES	COST OF SALES	ANNUAL INCOME
SALES	120,000	60,000	60,000
TOTAL			90,000

PHASE II TOTALS

F. SLIPS	730,100
G. GAS DOCK	90,000
TOTAL PHASE II	820,100

TOTAL PROJECT EFFECTIVE GROSS INCOME

PHASE I	1,223,400
PHASE II	820,100
TOTAL	2,043,500

MOFFATT & NICHOL
ENGINEERS
320 Golden Shore Suite 300 Long Beach, CA 90802
Telephone (562) 590-6500 FAX (562) 590-6512

TELECOPIER MESSAGE AND TRANSMISSION HEADER PAGE

Company: Westrec
Attention: Tom Hogan
From: Felicia Jones
Date: March 26, 1998
No. of Pages (Including Header): 4 Fax Number: 818-907-1104
Job Number:

MESSAGE:

TREASURE ISLAND MARINA DEVELOPMENT

3/26/98

NO.	WORK ITEM	QTY	UNIT	UNIT PRICE ($)	SUB-TOTAL	TOTAL
[illegible]						
	Phase I Marina - Slips	224	SLIP	13,500	$3,024,000	
	Miscellaneous					
	Rock Revetment (at gangway) *	20	LF	1,350	$27,000	
	Sub-Total					$3,051,000
[illegible]						
	Parking					
	(drainage,grading,asphalt,lighting)					
	Storage Facility Pkg and Yard	23,115	SF	3	$69,345	
	Utilities					
	Water/Sewer/Gas	1	LS	35,000	$35,000	
	Miscellaneous					
	Storage Building	64,750	SF	0	$0	
	Marine Retail	15,000	SF	0	$0	
	Yacht Club Activity Center	5,000	SF	0	$0	
	Storage Lockers	300	EA	0	$0	
	20' Cranes	2	EA	0	$0	
	Rock Revetment (Launch Area)	30	LF	0	$0	
	Landscaping & Irrigation	1,920	SF	0	$0	
	90 Day Maintenance	1	LS	0	$0	
	Sub-Total					$104,345
[illegible]						
	Demolition of Old Docks	108	SLIP	2,000	$216,000	
	Phase II Marina - Replacement	198	SLIP	12,000	$2,376,000	
	Miscellaneous					
	Rock Revetment (at gangways) *	20	LF	1,350	$27,000	
	Fuel/Pumpout Station	1	LS	140,000	$140,000	
	Sub-Total					$2,759,000
[illegible]						
	Parking					
	(drainage,grading,asphalt,lighting)					
	Marina, Retail and Clubs	48,279	SF	3	$144,837	
	Buildings					
	Marina Club (Incl Dock)	10,000	SF	0	$0	

TREASURE ISLAND MARINA DEVELOPMENT

3/26/98

NO.	WORK ITEM	QTY	UNIT	UNIT RICE ($)	SUB-TOTAL	TOTAL
	[illegible]					
	Restrooms (Two Bldgs)	1,200	SF	30	$36,000	
	Building-Site Civil					
	Grading / Building Foundations	10,000	SF	5	$50,000	
	Utilities					
	Water/Sewer/Gas	1	LS	55,000	$55,000	
	Electrical	1	LS	33,000	$33,000	
	Miscellaneous					
	Mooring Field	30	EA	1,500	$45,000	
	Landscaping & Irrigation	11,000	SF	4	$44,000	
	90 Day Maintenance	1	LS	4,400	$4,400	
	Sub-Total					$412,237
	[illegible]					
	Grading/Landscaping Preparation	16,640	SF	6	$99,840	
	Surface Treatment	19,890	SF	8	$159,120	
	Lighting	12	EA	3,000	$36,000	
	Rails (Hand)	1,280	LF	30	$38,400	
	Site Furnishings	1	LS	80,000	$80,000	
	Landscaping & Irrigation	6,400	SF	4	$25,600	
	Sub-Total					$438,960
	CONCEPTUAL COST SUMMARY					
					Subtotal	$6,765,542
					Fee/Engr/Permits (15%	$1,014,831
					Proj Contingency(8%)	$541,243
					Dev Fee (5%)	$338,277
					Est. Interest	($85,422)
					TOTAL	$8,594,472
					SAY	$8,600,000

NOTES:

* Rock revetment improvements localized at access points (i.e. gangways, crane pads, etc.)

** Initial project assumes utilization of Bldg 180. Bldg 180 may be demolished and reconstructed in

cost-est3.XLS

Coral Phasing Costs

PHASING PLAN	Total	YEAR 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TOTAL
A PHASE I MARINA IMPROVEMENTS	$3,061,000		1,525,500	1,525,500													3,051,000
B DRY BOAT STORAGE	$104,345		34,782	34,782	34,782												104 345
C PHASE II MARINA	$2,759,000				1,379,500	1,379,500											2,759,000
D MARINA FACILITIES	$412,237		208,110	208,110													412,237
E ESPLANADE	$438,060		219,480	219,400													438,060
TOTAL CONSTRUCTION COSTS	$6,766,642	-	1,985,880	1,946,830	1,414,282	1,379,500											4,766,542
Fees/Agr/Permits (11%)	1,074,839	253,708	253,700	253,709	253,703												1014,801
Proj Contingency (5%)	541,243	108,249	108,249	108,249	108,249	108,249											541,243
O m / ... B M	334,277	67,656	87,656	67,665	67,656	67,666											304,277
Sol. interest	(186,427)					(59,427)											(96,427)
TOTAL DEVELOPMENT COSTS	$8,534,172	429,6?2	2,415,492	2,415,492	1,643,894	1,489,882											

3/26/98

CLIPPER COVE
INCOME & EXPENSE PROJECTION
1999-2014

	1999 Schedule A	2000 Schedule B	2001 Schedule C	2002	* 2003 Proforma	2004	2005	2006
Income								
Existing	129,420	43,140						
Phase I		815,630	1,723,400	1,273,400	1,345,700	1,345,700	1,345,100	1,480,300
Phase II			536,000	810,130	902,100	902,100	902,100	992,300
Effective gross	129,420	859,710	1,759,400	2,043,530	2,247,800	2,247,800	2,247,800	2,472,600
Operating expenses								
Real Estate Taxes	12,000	45,000	120,000	127,000	124,000	126,000	128,000	130,000
Administration	17,000	180,000	200,000	206,000	212,000	218,000	224,000	230,000
Utilities	24,000	67,500	96,000	100,000	103,000	103,030	109,000	112,000
Insurance	18,000	36,000	43,000	50,000	51,500	53,000	64,500	56,000
Repairs & Maintenance	12,000	18,000	99,000	100,000	120,600	140,000	180,000	183,000
Management	12,000	46,000	87,000	100,000	112,000	112,000	112,000	127,030
Miscellaneous	12,000	48,000	48,000	50,000	51,500	53,000	54,500	56,000
Total operating expenses	102,000	440,500	698,000	728,000	774,000	808,000	842,600	886,000
Net income before Lease payment	27,420	419,210	1,061,400	1,315,530	1,473,800	1,439,800	1,405,800	1,586,600
Lease Payment	17,000	158,890	318,580	377,800	415,400	415,400	415,400	456,900
Net income	15,470	260,380	742,820	937,730	1,058,406	1,024,400	990,400	1,129,700
Equity carry	280,000	400,000	615,000	780,000	860,000			
Cash flow	(278,458)	(139,600)	127,800	157,700	198,000			
Total cash flow contribution					65,442			

	2007	2008	2009	2010	2011	2012	2013	2014
Income								
Existing								
Phase I	1,480,300	1,480,300	1,628,300	1,628,300	1,628,300	1,791,100	1,791,100	1,791,000
Phase II	992,300	1,091,500	1,091,500	1,091,500	1,091,500	1,200,600	1,200,600	1,200,600
Effective gross	2,472,600	2,571,800	2,719,800	2,719,800	2,719,800	2,991,700	2,991,700	2,991,600
Operating expenses								
Real Estate Taxes	132,000	134,000	128,000	138,000	140,000	142,000	144,000	146,000
Administration	236,000	242,000	248,000	254,000	260,000	266,000	272,000	278,900
Utilities	115,000	118,000	121,000	124,000	127,000	131,000	133,000	136,900
Insurance	57,500	59,300	60,500	63,000	64,500	61,000	67,500	69,900
Repairs & Maintenance	200,000	203,000	205,030	209,000	212,000	215,000	218,000	221,000
Management	122,000	122,900	136,000	138,000	136,000	150,000	150,000	150,000
Miscellaneous	57,500	59,000	80,500	63,000	64,500	66,000	67,500	69,090
Total operating expenses	920,000	937,000	888,000	987,000	1,004,030	1,035,000	1,052,000	1,069,000
Net income before Lease payment	1,552,600	1,634,800	1,751,800	1,732,800	1,715,800	1,956,700	1,939,700	1,922,600
Lease Payment	456,900	456,900	502,600	502,690	502,800	542,800	542,900	542,900
Net income	1,095,700	1,177,900	1,249,200	1,230,200	1,213,200	1,413,800	1,396,800	1,379,700
Equity carry								
Cash flow								
Total cash flow contribution								

Notes:
1) Income: Annual income increased 10% in year 2003 and every three years thereafter
2) Occupancy: 93%
3) Expenses: Real estate taxes increase at 2% per year. Other expenses increase at 3% per year or in fixed increments
4) Lease: Slips @ 20% of gross receipts; minimum rental begins in year 6
Moorings, fuel and gas @ 5% of gross receipts, minimum rental begins in year 6

INCOME & EXPENSE
SCHEDULE A

1999 Existing Income	January	February	March	April	May	June	July	August	September	October	November	December	1999 Annual Totals
Income													
Slips	14,380	14,380	14,380	14,380	14,380	14,380	14,380	14,380	14,380	14,380	14,380	14,380	172,560
Vacancy	3,595	3,595	3,595	3,595	3,595	3,595	3,595	3,595	3,595	3,595	3,595	3,595	43,140
Total effective income	10,785	10,785	10,785	10,785	10,785	10,785	10,785	10,785	10,785	10,785	10,785	10,785	129,420
Operating expenses													
Real Estate Taxes	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Administration	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Utilities	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Insurance	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Repairs & Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Management	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Miscellaneous	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Total operating expenses	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	102,000
Net income before Lease payment	2,285	2,285	2,285	2,285	2,285	2,285	2,285	2,285	2,285	2,285	2,285	2,285	27,420
Lease Payment (10%)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Net Income	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	15,420

Notes:
1) Income: 108 slip @ average monthly rate of $4/lineal foot
2) Occupancy: 75%
3) Lease: 10% of gross receipts; no minimum

INCOME & EXPENSE
SCHEDULE B

2000 Absorption schedule Phase I	January	February	March	April	May	June	July	August	September	October	November	December	2000 Annual Totals
Income													
Existing Income	7,190	7,190	7,190	7,190	7,190	7,190							43,140
Slips	27,000	33,750	40,500	47,250	54,000	60,750	67,500	74,250	81,000	87,750	92,190	92,190	758,130
Moorings	3,250	3,250	3,250	3,250	6,500	6,500	6,500	6,500	6,500	6,500	3,250	3,250	58,500
Total effective income	37,440	44,190	50,940	57,690	67,690	74,440	74,000	80,750	87,500	94,250	95,440	95,440	859,770
Operating expenses													
Real Estate Taxes				5,000								40,000	45,000
Administration	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
Utilities	3,000	3,500	4,000	4,500	5,000	5,500	6,000	6,500	7,000	7,500	7,500	7,500	67,500
Insurance	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Repairs & Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000	18,000
Management	2,000	2,500	3,000	3,500	4,000	4,000	4,000	4,000	4,500	4,500	5,000	5,000	48,000
Miscellaneous	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Total operating expenses	28,000	29,000	30,000	36,000	32,000	32,500	34,000	34,500	35,500	36,000	36,500	76,500	440,500
Net Income before Lease payment	9,440	15,190	20,940	21,690	35,690	41,940	40,000	46,250	52,000	58,250	58,940	18,940	419,270
Lease Payment													
Existing income @10%	720	720	720	720	720	720							4,320
Slips @ 20%	5,400	6,750	8,100	9,450	10,800	12,150	13,500	14,850	16,200	17,550	18,440	18,440	151,630
Moorings @5%	165	165	165	165	325	325	325	325	325	325	165	165	2,940
Total lease payment	6,285	7,635	8,985	10,335	11,845	13,195	13,825	15,175	16,525	17,875	18,605	18,605	158,890
Net Income	3,155	7,555	11,955	11,355	23,845	28,745	26,175	31,075	35,475	40,375	40,335	335	260,380

Notes:
1) Income: Existing 108 slips @ average monthly rate $4/lineal foot, new 224 slips @ average monthly rate $8.94/lineal foot (See income schedule for rent roll)
2) Occupancy: Existing ships: 50%. New slips 30% preleased increasing occupancy @7% per month or approximately 15/mo. Moorings winter & summer occupancies.
3) Lease: Existing @10% of gross receipts. New slips @ 20% of gross receipts. Moorings @ 5% of gross receipts. No minimum.

INCOME & EXPENSE
SCHEDULE C

2001 Absorption schedule Phase II	January	February	March	April	May	June	July	August	September	October	November	December	2001 Annual Totals
Income													
Phase I	101,950	101,950	101,950	101,950	101,950	101,950	101,950	101,950	101,950	101,950	101,950	101,950	1,223,400
Phase II	18,000	22,000	26,000	30,000	34,000	38,000	42,000	44,000	48,000	52,000	56,000	60,000	470,000
Slips													
Fuel & storage	4,000	4,000	4,000	4,000	4,500	5,000	5,500	6,000	6,500	7,000	7,500	8,000	66,000
Total effective income	123,950	127,950	131,950	135,950	140,450	144,950	149,450	151,950	156,450	160,950	165,450	169,950	1,759,400
Operating expenses													
Real Estate Taxes				40,000								80,000	120,000
Administration	16,000	16,000	16,000	16,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	200,000
Utilities	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,000
Insurance	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Repairs & Maintenance	4,000	5,000	6,000	7,000	8,000	9,000	10,000	10,000	10,000	10,000	10,000	10,000	99,000
Management	6,000	6,500	6,500	7,000	7,000	7,000	7,500	7,500	7,500	8,000	8,000	8,500	87,000
Miscellaneous	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Total operating expenses	42,000	43,500	44,500	86,000	48,000	49,000	50,500	50,500	50,500	51,000	51,000	131,500	698,000
Net income before Lease payment	81,950	84,450	87,450	49,950	92,450	95,950	98,950	101,450	105,950	109,950	114,450	38,450	1,061,400
Lease Payment													
Slips @ 20%	22,040	22,840	23,640	24,440	25,240	26,040	26,840	27,240	28,040	28,840	29,640	30,440	315,280
Moorings @5%	200	200	200	200	225	250	275	300	325	350	375	400	3,300
Total lease payment	22,240	23,040	23,840	24,640	25,465	26,290	27,115	27,540	28,365	29,190	30,015	30,840	318,580
Net income	59,710	61,410	63,610	25,310	66,985	69,660	71,835	73,910	77,585	80,760	84,435	7,610	742,820

Note:

1) Income: Phase I & II at @ average monthly rate 8.94/linear ft. for Phase I and 8.13 for Phase II (see Income schedule for rent roll)

2) Occupancy: Phase I at 93%
Phase II 30% preleased increasing occupancy @ 7% per month or approximately 15 slips/mo.
Moorings are at winter and summer rates and the fuel and sales are as projected in the rent roll.

3) Lease: Slips are 20% of gross receipts. Moorings, fuel and sales are 5% of gross receipts. No minimum.

Year	Westrec Net Income	Capital Investments	NPV @ 9% *	IRR *
1998	-	$429,612	$177,740	9.5%
1999	$15,420	$2,415,492		
2000	$260,380	$2,415,492		
2001	$742,820	$1,843,894		
2002	$937,730	$1,490,162		
2003	$1,058,400			
2004	$1,024,400			
2005	$990,400			
2006	$1,129,700			
2007	$1,095,700			
2008	$1,177,900			
2009	$1,249,200			
2010	$1,230,200			
2011	$1,213,200			
2012	$1,413,800			
2013	$1,396,800			
2014	$1,379,700			

* On Income Stream only

WESTREC MARINAS
16633 Ventura Blvd., 6th Floor
Encino, California 91436

Phone: (818) 907-0400
Fax: (818) 907-1104 Corporate
(818) 907-1107 Accounting
(818) 907-0156 Payroll/Personnel

FAX TRANSMITTAL

Date: 3/27/98

Time:

Pages: 15
(Incl. cover)

TO: Marianne Casarrae

FROM: Tom Hagan

REMARKS:

Treasure Island Enterprises LLC

March 26, 1998

VIA HAND DELIVERY

Ms. Marianne Conarroe
Harbor Master
MAYOR'S OFFICE, TREASURE ISLAND PROJECT
410 Palm Avenue
Building 1, Room 237
San Francisco, CA 94130

Re: Treasure Island Enterprises Proposal In Response To City Of San Francisco's Request For Proposals For Treasure Island Marina

Dear Ms. Conarroe:

This letter and the enclosures submitted herewith are being provided to you by Treasure Island Enterprises ("TIE") in response to your letter dated March 20, 1998, requesting additional information from all bidders in connection with the above matter. As stated in our January 21, 1998 Response, TIE is very excited about creating a world-class marina at Treasure Island and looks forward to working with the City and County of San Francisco towards that end.

Development Costs:

TIE has estimated that its actual construction costs to construct a world-class, 400+ slip marina will be approximately $11,504,032.00. Architectural, engineering and construction management costs are estimated to be approximately $655,730. TIE has also estimated a construction contingency budget of approximately $506,177. The total construction costs to complete this project are estimated to be approximately $12,665,939. Attached to this letter as **Exhibit 1** is a copy of TIE's construction cost schedule, which was previously submitted to the City as Exhibit F-4 in TIE's January 21, 1998 Response.

In addition, TIE anticipates that it will incur an additional $500,000 in soft development costs, for such items as loan origination fees, permit fees, and accounting, legal and other professional services.

Income:

At your request, attached hereto as **Exhibit 2** is TIE's 15 Year Revenue Projection spreadsheet.TIE previously submitted a 10 year revenue projection at pages 21-23 and in Exhibit F-2 of its January 21, 1998 Response.

Gross Income/Rental Rates: TIE estimates that gross income from slips at the marina over a fifteen year lease term will total approximately $32,337,666. The rental rates necessary to generate the estimated gross revenue is based on an escalating rental rate per lineal foot of slip space, beginning at $7.00 per lineal feet of slip space for years one through four of the lease term and escalating every two years thereafter at approximately 5% through year ten of the lease term and thereafter at 2% every year of the lease term. These rental rates are competitive with other premium marinas in the Bay Area, including the Santa Cruz, South Beach, Kappas, Pier 39 and Pelican Harbor marinas.

Other income will be derived from dry-stack storage, end tie ups, liveaboard rents, guest boaters, boat sales, chandlery, deli/restaurant venue at Building T-180, and ancillary boating uses. All of those income projections are set forth in the documents attached to this letter as **Exhibit 2**.

Vacancy Rate: The vacancy rate for the marina is estimated to be stabilized at 10% beginning in year four (4) of the term.

Net Income: TIE estimates net income, before debt service, to be approximately $523,749 in year one (1) of the new marina and escalating to $1,682,086 in year fifteen (15).

Operating Expenses: A breakdown by category of TIE's anticipated operating expenses is set forth in **Exhibit 3** attached to this letter.

Escalation Factors: Revenue escalation factors have been estimated at 5% for every other year of the lease term beginning in year five (5) and continuing through year ten (10) and every year thereafter at 2%. In years one through four (4) of the lease term, the revenue escalation is a product of the full development and use of TIE's world-class marina. The expense escalation factor is the same as the rates for revenues.

Debt Service: TIE expects to borrow up to 70% of capital costs with a debt service constant of 9% based on a 25-year mortgage term based on a required, initial debt service coverage ratio (net operating income divided by debt service) of at least 1.25:1.

Net Operating Income: TIE anticipates that net operating income, after payment of rent to the City and before debt service, will escalate from $478,018 in year one (1) of the term to $1,356,505 in year fifteen (15).

Treasure Island Enterprises LLC

Financing

TIE expects to borrow up to 70% of capital costs with a debt service constant of nine percent 9% based on a 25-year mortgage term based on a required, initial debt service coverage ration (net operating income divided by debt service) of at least 1.25:1. TIE's source of equity will be from its members. The source of debt has not yet been determined.

Financial Analysis

As shown on **Exhibit 3**, TIE's net present value after fifteen (15) years is expected to be approximately $819,398.09.

I trust you will find the above information responsive to your request.

Very truly yours,

Darius Anderson

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TREASURE ISLAND MARINA

PROJECT CONSTRUCTION COST

Phase 1		
Dry Storage	$427,200	
250 Slips	$4,308,000	
Breakwater/Fuel Dock	$1,645,440	
Landscaping & Walks	$158,400	
T-180 Building Improvements	$571,200	
Demo., Site Utilities and Drainage	$288,000	
Gates, Gangway and Piers	$302,976	
Subtotal	$7,701,216	$7,701,216
Phase 2		
150 Slips	$2,584,800	
Public Viewing Dock	$447,936	
Building Tenant Improvements	$151,680	
Mega-Yacht Dock	$584,800	
Landscaping & Walks	$33,600	
Gates, Gangway and Piers	$201,984	
Subtotal	$3,802,816	$3,802,816
Total Construction Cost		$11,504,032
Contingency		$506,177
A/E/CM		$655,730
TOTAL		**$12,665,939**

20-Jan-98

Concept Marine

TREASURE ISLAND ENTERPRISES' MARINA PROJECT / 15 YEAR EXPENSE PROJECTION

			YR. 1	YR. 2	YR. 3	YR. 4	YR. 5	YR. 6	YR. 7	YR. 8	YR. 9	YR. 10	YR. 11	YR. 12	YR. 13	YR. 14	YR. 15	NPV / IR
EVENUE			818,358	1,396,042	1,804,076	2,063,929	2,163,164	2,163,164	2,266,093	2,271,019	2,375,370	2,380,496	2,428,105	2,476,667	2,526,201	2,576,725	2,628,259	
PENSES																		
& PROM			10,488	17,894	23,123	26,452	27,725	27,725	29,045	29,108	30,445	30,511	31,121	31,744	32,379	33,026	33,687	
D & TRAVEL			1,580	2,696	3,484	3,985	4,177	4,177	4,376	4,385	4,587	4,597	4,689	4,783	4,878	4,976	5,075	
EANING			160	274	354	405	424	424	444	445	466	467	476	486	496	506	516	
ES & SUB. LIC			2,000	3,412	4,409	5,044	5,287	5,287	5,539	5,551	5,806	5,818	5,934	6,053	6,174	6,298	6,424	
FICE EXPENSE			6,836	11,662	15,070	17,240	18,069	18,069	18,929	18,971	19,842	19,885	20,283	20,688	21,102	21,524	21,955	
NDSCAPE			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
PAIRS & MAINTENANCE			12,756	21,762	28,122	32,171	33,719	33,719	35,324	35,402	37,027	37,108	37,850	38,607	39,379	40,167	40,970	
BBISH REMOVAL			4,520	7,711	9,964	11,399	11,947	11,947	12,516	12,543	13,119	13,148	13,411	13,679	13,953	14,232	14,516	
LARIES			97,235	165,888	214,364	245,233	257,031	257,031	269,266	269,857	282,246	282,863	288,520	294,291	300,176	306,180	312,304	
YROLL TAX & INS			20,169	34,409	44,464	50,867	53,314	53,314	55,852	55,974	58,544	58,672	59,845	61,042	62,263	63,508	64,779	
ARD SERVICE			328	560	724	828	868	868	909	911	953	955	974	994	1,013	1,034	1,054	
PPLIES			6,566	11,202	14,476	16,560	17,357	17,357	18,183	18,223	19,060	19,101	19,483	19,873	20,270	20,676	21,089	
LEPHONE			1,887	3,220	4,161	4,760	4,989	4,989	5,226	5,238	5,478	5,490	5,600	5,712	5,826	5,943	6,061	
LITIES			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
FORMS			1,096	1,869	2,415	2,763	2,896	2,896	3,034	3,041	3,180	3,187	3,251	3,316	3,382	3,450	3,519	
ALL TOOLS			119	203	263	301	315	315	330	331	346	347	354	361	368	376	383	
RCH PURCH			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
C EXP			6,115	10,408	13,466	15,417	16,146	16,146	16,907	16,934	17,731	17,755	18,110	18,472	18,842	19,219	19,603	
CTRICAL EXP			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
AL DIRECT EXPENSE	21%		171,855	293,169	378,856	433,425	454,264	454,264	475,879	476,914	498,828	499,904	509,902	520,100	530,502	541,112	551,934	
COUNTING			8,167	13,933	18,004	20,597	21,588	21,588	22,616	22,665	23,706	23,758	24,233	24,718	25,212	25,716	26,231	
OUND RENT			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
URANCE			12,250	20,899	27,007	30,896	32,382	32,382	33,923	33,998	35,559	35,636	36,349	37,076	37,817	38,574	39,345	
AL			4,083	6,966	9,002	10,299	10,794	10,794	11,308	11,333	11,856	11,879	12,117	12,359	12,606	12,858	13,115	
OPERTY TAX			15,332	26,157	33,800	38,668	40,528	40,528	42,457	42,550	44,504	44,601	45,493	46,403	47,331	48,278	49,243	
LITIES-WATER			4,900	8,360	10,803	12,358	12,953	12,953	13,570	13,599	14,224	14,255	14,540	14,831	15,128	15,430	15,739	
LITIES-GAS			2,042	3,483	4,501	5,149	5,397	5,397	5,654	5,666	5,926	5,939	6,058	6,179	6,303	6,429	6,557	
NTR SERV ALMAR			35,064	59,802	77,290	88,429	92,675	92,675	97,080	97,286	101,766	101,978	104,018	106,098	108,220	110,384	112,592	
NAGEMENT FEES	5%		40,916	69,805	90,204	103,194	108,158	108,158	113,306	113,555	118,768	119,028	121,409	123,837	126,313	128,840	131,417	
AL ADMIN. EXPENSE	15%		122,754	209,406	270,611	309,589	324,475	324,475	339,914	340,653	356,306	357,074	364,215	371,500	378,930	386,508	394,239	
EXPENSE	36%		294,609	502,575	649,467	743,015	778,739	778,739	815,793	817,567	855,134	856,978	874,118	891,600	909,432	927,621	946,173	
INCOME			523,749	893,467	1,154,609	1,320,914	1,384,425	1,384,425	1,450,300	1,453,452	1,520,236	1,523,518	1,553,987	1,585,067	1,616,769	1,649,104	1,682,086	
RENT			45,731	80,463	106,646	187,589	196,576	267,744	281,137	281,353	294,860	295,085	300,945	306,923	313,019	319,238	325,581	
OPERATING INCOME			478,018	813,004	1,047,963	1,133,325	1,187,849	1,116,681	1,169,163	1,172,099	1,225,376	1,228,433	1,253,042	1,278,144	1,303,750	1,329,866	1,356,505	
T SERVICE 8.75MIL 9% 25 YRS			350,000	464,109	750,000	890,805	890,805	890,805	890,805	890,805	890,805	890,805	890,805	890,805	890,805	890,805	890,805	
T SERVICE COVERAGE RATIO			1.37	1.75	1.40	1.27	1.33	1.25	1.31	1.32	1.38	1.38	1.41	1.43	1.46	1.49	1.52	
H FLOW AFTER DEBT SERVICE			128,018	348,895	297,963	242,520	297,044	225,876	278,358	281,294	334,571	337,628	362,237	387,339	412,945	439,061	465,700	
PRESENT VALUE @ 9%		(4,250,000)	128,018	348,895	297,963	242,520	297,044	225,876	278,358	281,294	334,571	337,628	362,237	387,339	412,945	439,061	11,224,466	1,015,19[illegible]
RNAL RATE OF RETURN		(4,250,000)	13,909	348,895	297,963	242,520	297,044	225,876	278,358	281,294	334,571	337,628	362,237	387,339	412,945	439,061	11,224,466	11.01[illegible]

TREASURE ISLAND ENTERPRISES' MARINA PROJECT / 15 YEAR REVENUE PROJECTION Cont.

BUDGET FOR 400 SLIPS

REVENUE		Year 8 GROSS REVENUE	Year 8 PORT %	Year 8 PORT RENT	Year 9 GROSS REVENUE	Year 9 PORT %	Year 9 PORT RENT	Year 10 GROSS REVENUE	Year 10 PORT %	Year 10 PORT RENT	Year 11 GROSS REVENUE	Year 11 PORT %	Year 11 PORT RENT
SLIPS		1,272,240	15.0%	190,836	1,337,904	15.0%	200,686	1,337,904	15.0%	200,686	1,364,662	15.0%	204,699
END TIES		25,444	15.0%	3,817	26,758	15.0%	4,014	26,758	15.0%	4,014	27,293	15.0%	4,094
LIVEABOARD		72,000	15.0%	10,800	72,000	15.0%	10,800	72,000	15.0%	10,800	73,440	15.0%	11,016
GUEST BOATERS		127,224	15.0%	19,084	133,790	15.0%	20,068	133,790	15.0%	20,068	136,466	15.0%	20,470
BOAT SALES		63,374	5.0%	3,169	64,641	5.0%	3,232	65,934	5.0%	3,297	67,253	5.0%	3,363
CHANDLERY		8,259	5.0%	413	8,424	5.0%	421	8,592	5.0%	430	8,764	5.0%	438
DELI		0	0	0	0	0	0	0	0	0	0	0	0
RESTAURANT		120,439	3.5%	4,215	122,848	3.5%	4,300	125,305	3.5%	4,386	127,811	3.5%	4,473
NAUTICAL CLUB		20,647	5.0%	1,032	21,060	5.0%	1,053	21,481	5.0%	1,074	21,910	5.0%	1,096
LAUNDRY		2,753	5.0%	138	2,808	5.0%	140	2,864	5.0%	143	2,921	5.0%	146
COIN VENDING		1,376	25.0%	344	1,404	25.0%	351	1,432	25.0%	858	1,461	25.0%	365
SAILING INSTR.		2,646	5.0%	132	2,778	5.0%	139	2,778	5.0%	139	2,834	5.0%	142
FUEL (NET)		52,920		1,985	55,566		2,083	55,566		2,083	56,677		2,083
LOCKERS		1,200	5.0%	60	1,200	5.0%	60	1,200	5.0%	60	1,224	5.0%	61
DRY STORAGE		400,075	10.0%	40,008	420,078	10.0%	42,008	420,078	10.0%	42,008	428,480	10.0%	42,848
SERVICES		60,011	5.0%	3,001	63,011	5.0%	3,151	63,011	5.0%	3,151	64,271	5.0%	3,214
SHOPS		34,411	5.0%	1,721	35,099	5.0%	1,795	35,801	5.0%	1,790	36,517	5.0%	1,826
MISCELLANEOUS		6,000	10.0%	600	6,000	10.0%	600	6,000	10.0%	600	6,120	10.0%	612
TOTAL REVENUE *		2,271,019		281,353	2,375,370		294,860	2,380,495		295,085	2,428,105		300,945
EXPENSES													
DIRECT	21%	476,914			498,828			499,904			509,902		
ADMINISTRATION	15%	340,653			356,306			357,074			364,216		
TOTAL EXPENSES		817,567			855,134			856,978			874,118		
NET INCOME		1,453,452			1,520,237			1,523,517			1,553,987		
CITY RENT		281,353			294,860			295,085			300,945		
NET OPERATING INCOME		1,172,099			1,225,377			1,228,432			1,253,042		

REVENUE	Year 12 GROSS REVENUE	Year 12 PORT %	Year 12 PORT RENT	Year 13 GROSS REVENUE	Year 13 PORT %	Year 13 PORT RENT	Year 14 GROSS REVENUE	Year 14 PORT %	Year 14 PORT RENT	Year 15 GROSS REVENUE	Year 15 PORT %	Year 15 PORT RENT
SLIPS	1,391,955	15.0%	208,793	1,419,794	15.0%	212,989	1,448,190	15.0%	217,229	1,477,154	15.0%	221,573
END TIES	27,839	15.0%	4,176	28,396	15.0%	4,259	28,964	15.0%	4,345	29,543	15.0%	4,431
LIVEABOARD	74,909	15.0%	11,236	76,407	15.0%	11,461	77,935	15.0%	11,690	79,494	15.0%	11,924
GUEST BOATERS	139,195	15.0%	20,879	141,979	15.0%	21,297	144,819	15.0%	21,723	147,715	15.0%	22,157
BOAT SALES	68,598	5.0%	3,430	69,970	5.0%	3,499	71,369	5.0%	3,568	72,797	5.0%	3,640
CHANDLERY	8,939	5.0%	447	9,118	5.0%	456	9,301	5.0%	465	9,487	5.0%	474
DELI	0	0	0	0	0	0	0	0	0	0	0	0
RESTAURANT	130,367	3.5%	4,563	132,975	3.5%	4,654	135,634	3.5%	4,747	138,347	3.5%	4,842
NAUTICAL CLUB	22,349	5.0%	1,117	22,796	5.0%	1,140	23,252	5.0%	1,163	23,717	5.0%	1,186
LAUNDRY	2,980	5.0%	149	3,039	5.0%	152	3,100	5.0%	155	3,162	5.0%	158
COIN VENDING	1,490	25.0%	372	1,520	25.0%	380	1,550	25.0%	388	1,581	25.0%	395
SAILING INSTR.	2,890	5.0%	145	2,948	5.0%	147	3,007	5.0%	150	3,067	5.0%	153
FUEL (NET)	57,811		2,083	58,967		1,083	60,146		2,083	61,349		2,083
LOCKERS	1,248	5.0%	62	1,273	5.0%	64	1,299	5.0%	65	1,325	5.0%	66
DRY STORAGE	437,049	10.0%	43,705	445,790	10.0%	44,579	454,706	10.0%	45,471	463,800	10.0%	46,380
SERVICES	65,557	5.0%	3,278	66,868	5.0%	3,343	68,205	5.0%	3,410	69,569	5.0%	3,478
SHOPS	37,248	5.0%	1,862	37,993	5.0%	1,900	38,753	5.0%	1,938	39,528	5.0%	1,976
MISCELLANEOUS	6,242	10.0%	624	6,367	10.0%	637	6,495	10.0%	649	6,624	10.0%	662
TOTAL REVENUE *	2,476,667		306,923	2,526,201		313,019	2,576,725		319,238	2,628,259		325,581
EXPENSES												
DIRECT	520,100			530,502			541,112			551,934		
ADMINISTRATION	371,500			378,930			386,509			394,239		
TOTAL EXPENSES	891,600			909,432			927,621			946,173		
NET INCOME	1,585,067			1,616,768			1,649,104			1,682,086		
CITY RENT	306,923			313,019			319,238			325,581		
NET OPERATING INCOME	1,278,144			1,303,749			1,329,866			1,356,504		

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TREASURE ISLAND ENTERPRISES' MARINA PROJECT / 15 YEAR REVENUE PROJECTION

BUDGET FOR 400 SLIPS

REVENUE		Year 1			Year 2			Year 3			Year 4			Year 5			Year 6			Year 7		
		GROSS REVENUE	PORT %	PORT RENT	GROSS REVENUE	PORT %	PORT RENT	GROSS REVENUE	PORT %	PORT RENT	GROSS REVENUE	PORT %	PORT RENT	GROSS REVENUE	PORT %	PORT RENT	GROSS REVENUE	PORT %	PORT RENT	GROSS REVENUE	PORT %	PORT RENT
SLIPS		357,504	5.0%	17,875	718,200	5.0%	35,910	925,680	5.0%	46,284	1,149,120	10.0%	114,912	1,206,576	10.0%	120,658	1,206,576	15.0%	180,986	1,272,240	15.0%	190,836
END TIES		7,150	5.0%	358	14,364	5.0%	718	18,513	5.0%	926	22,982	10.0%	2,298	24,131	10.0%	2,413	24,131	15.0%	3,620	25,444	15.0%	3,817
LIVEABOARD		36,000	5.0%	1,800	54,000	5.0%	2,700	63,000	5.0%	3,150	72,000	10.0%	7,200	72,000	10.0%	7,200	72,000	15.0%	10,600	72,000	15.0%	10,600
GUEST BOATERS		35,750	5.0%	1,788	71,820	5.0%	3,591	92,568	5.0%	4,628	114,912	10.0%	11,491	120,658	10.0%	12,066	120,658	15.0%	18,099	127,224	15.0%	19,084
BOAT SALES		55,250	5.0%	2,763	55,250	5.0%	2,763	58,013	5.0%	2,901	58,013	5.0%	2,901	60,913	5.0%	3,046	60,913	5.0%	3,046	62,131	5.0%	3,107
CHANDLERY		7,200	5.0%	360	7,200	5.0%	360	7,560	5.0%	378	7,560	5.0%	378	7,938	5.0%	397	7,938	5.0%	397	8,097	5.0%	405
DELI		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RESTAURANT		105,000	3.5%	3,675	105,000	3.5%	3,675	110,250	3.5%	3,859	110,250	3.5%	3,859	115,763	3.5%	4,052	115,763	3.5%	4,052	118,078	3.5%	4,133
NAUTICAL CLUB		18,000	5.0%	900	18,000	5.0%	900	18,900	5.0%	945	18,900	5.0%	945	19,845	5.0%	992	19,845	5.0%	992	20,242	5.0%	1,012
LAUNDRY		2,400	5.0%	120	2,400	5.0%	120	2,520	5.0%	126	2,520	5.0%	126	2,646	5.0%	132	2,646	5.0%	132	2,699	5.0%	135
COIN VENDING		1,200	25.0%	300	1,200	25.0%	300	1,260	25.0%	315	1,260	25.0%	315	1,323	25.0%	331	1,323	25.0%	331	1,349	25.0%	337
SAILING INSTR.		600	5.0%	30	1,200	5.0%	60	1,800	5.0%	90	2,400	5.0%	120	2,520	5.0%	126	2,520	5.0%	126	2,646	5.0%	132
FUEL (NET)		16,000		600	32,000		1,200	48,000		1,800	48,000		1,800	50,400		1,890	50,400		1,890	52,920		1,985
LOCKERS		1,200	5.0%	60	1,200	5.0%	60	1,200	5.0%	60	1,200	5.0%	60	1,200	5.0%	60	1,200	5.0%	60	1,200	5.0%	60
DRY STORAGE		120,960	10.0%	12,096	241,920	10.0%	24,192	362,880	10.0%	36,288	362,880	10.0%	36,288	381,024	10.0%	38,102	381,024	10.0%	38,102	400,075	10.0%	40,008
SERVICES		18,144	5.0%	907	36,288	5.0%	1,814	54,432	5.0%	2,722	54,432	5.0%	2,722	57,153	5.0%	2,858	57,153	5.0%	2,858	60,011	5.0%	3,001
SHOPS		30,000	5.0%	1,500	30,000	5.0%	1,500	31,500	5.0%	1,575	31,500	5.0%	1,575	33,075	5.0%	1,654	33,075	5.0%	1,654	33,737	5.0%	1,687
MISCELLANEOUS		6,000	10.0%	600	6,000	10.0%	600	6,000	10.0%	600	6,000	10.0%	600	6,000	10.0%	600	6,000	10.0%	600	6,000	10.0%	800
TOTAL REVENUE *		818,358		45,731	1,396,042		80,463	1,804,076		106,646	2,063,929		187,589	2,163,164		196,576	2,163,164		267,744	2,266,093		281,137
EXPENSES																						
DIRECT	21%	171,855			293,169			378,856			433,425			454,265			454,265			475,879		
ADMINISTRATION	15%	122,754			209,406			270,611			309,589			324,475			324,475			339,914		
TOTAL EXPENSES		294,609			502,575			649,467			743,014			778,739			778,739			815,793		
NET INCOME		523,749			893,467			1,154,608			1,320,914			1,384,425			1,384,425			1,450,299		
CITY RENT		45,731			80,463			106,646			187,589			196,576			267,744			281,137		
NET OPERATING INCOME		478,018			813,004			1,047,962			1,133,325			1,187,849			1,116,681			1,169,162		

WKA WILLIAMS-KUEBELBECK & Associates, Inc.
Real Estate Economic, Financial & Management Consultants
1765 Challenge Way, Suite 100, Sacramento, California 95815 (916) 564-0600 FAX: (916) 564-7186

Principals
Lawrence E. Williams, Jr.
James L. Kuebelbeck

March 27, 1998

Ms. Marianne Conarroe
Harbor Master
Office of the Mayor
Treasure Island Project
410 Avenue of the Palms
Building 1, 2nd Floor, Treasure Island
San Francisco, CA 94130

SUBJECT: RESPONSE TO YOUR MARCH 20, 1998 LETTER RE: TREASURE ISLAND MARINA PROPOSAL – TREASURE ISLAND MARINA CENTER – MODERN CONTINENTAL

Dear Ms. Conarroe:

Modern Continental has asked me to prepare the financial information you requested in your subject letter. Your letter was addressed to Mr. Al Hoberman, Project Director for the proposed Treasure Island Marina Center.

As you know, Modern Continental's proposed leasehold improvement program contains a mixed use development focused on the marina but also includes commercial retail, specialty restaurants and a unique destination hotel. We took your pre-proposal meeting instructions literally and proposed what we consider the highest and best use for the marina site which meets the objectives and guidelines of the Treasure Island Reuse Plan. It furthermore assists in providing a significant financing program for your infrastructure requirements.

Based upon your instructions, we have now isolated the marina, and looked at it as a separate item in order to answer your questions specifically.

Table 1 - Revised Capital Cost and Financing Assumptions presents answers to the COSTS and FINANCING questions in your letter. Please note that the separate marina costs are for the marina only and therefore show changes from what was presented in our January 21, 1998 proposal.

Table 1 also presents debt and equity estimates, the length of the take out loan anticipated, the loan interest rate and the annual debt service payment.

Table 2 – Marina Income Assumptions, Table 3 – Marina Operating and Expense Assumptions, Table 4 – Cash Flow Projections and Table 5 – City Lease Income provide answers to the INCOME and FINANCIAL ANALYSIS questions in your letter.

Please note that the net present value and internal rate of return estimates are for the 15 year period you requested. Since we are estimating a two year period for planning and development we felt it appropriate to consider this period and the first 15 operating years in our projections.

If you have any questions on this response to your request or require any additional information, please do not hesitate to contact me.

Very truly yours,
WILLIAMS-KUEBELBECK & ASSOCIATES, INC.

Lawrence E. Williams

Lawrence E. Williams
Principal

Revised Capital Cost and Financing Assumptions
Treasure Island Marina - 600 Berth Scenario
15 Year Cash Flow Analysis
[17 Year analysis period]

Cost Item	Total [000]	Phased [2 yrs]	1999	2000	2001
Initial Capital Expenditures	$ 250	$ 125	$ 125	$ 125	$ -
Both Berths and Moorings	$ 7,200	$ 3,600	$ 3,600	$ 3,600	$ -
Building and site Improvements[1]	$ 500	$ 250	$ 250	$ 250	$ -
Startup[2]	$ 250	$ 125	$ 125	$ 125	$ -
Total Marina Capital and capitalized costs	$ 8,200	$ 4,100	$ 4,100	$ 4,100	$ -
Cumulative	$ 8,200	$ 4,100	$ 4,100	$ 4,100	$ -
Amount Financed	$ 6,150	$ 3,075	$ 3,075	$ 3,075	
Points [Paid but Reimbursed at Takeout]	$ 92	[2 Years]	$ 46	$ 46	
Fees {same]	$ 50	[2 Years]	$ 25	$ 25	
[Construction Loan & Take out Loan-Memo Entry]	$ 6,292	[see next]	$ 3,146	$ 3,146	$ 6,292 **
Construction Loan Draws	$ 6,292	[2 Years]	$ 3,146	$ 3,146	
Construction Interest [10%]	$ 923	[2 Years]	$ 308	$ 615	
Equity	$ 2,050	$ 1,025	$ 1,025	$ 1,025	
Annual cash cost[with financing]	N/A	N/A	$ 1,333	$ 1,640	($610)

* Construction Loan @ 75% of Cost; two years; 10% interest
** Take out Financing : 20 yrs, 7.50%, 75% financed, level debt service; 1.5 points + $50,000
[1] Includes parking, landscaping, restrooms,showers, storage and administrative facilities
[2] Marketing,equipment, office supplies, other
Source: Moffatt & Nichol Engineers; WK&A

Prepared by Williams-Kuebelbeck & Associates 3/27/98

Table 1

Treasure Island Marina
Marina Income Assumptions
600 Berth Scenario
Opens 1/1/2001

Phasing	At Full Buildout	Quantity Measure	Price in 1998$ [Escalate @ 3%]	Occupancy Year3 [2003]	Year 2 [2002]	Year 1 [2001]
Berths	600	21,840 LF	$8.17 LF/MO	90%	80%	60%
Covered Storage	60	60	$150/ MO.	90%	90%	75%
Outside Storage	100	100	$75/MO	90%	90%	75%
Moorings[1]	30	30	$15/Day	90%	90%	75%
Marina Store[2]	1200 SF	1200 SF	$150 SF/YR	90%	90%	75%

[1] 12% annual Occupancy
[2] 15% net after Cost of 85%

City Income:	
Berths	15% of Gross Income
Covered Storage	10 % of Gross Income
Outside Storage	10 % of Gross Income
Moorings[1]	10 % of Gross Income
Marina Store[2]	1 % of Gross Income

Source: Williams-Kuebelbeck & Assoc, Inc.

Treasure Island Marina
Marina Operating Expense Assumptions
600 Berth Scenario
Opens 1/1/2001
[Escalate @ 3% per Year]

Annual Operating Expenses:	Amount*
Salaries and Fringe	$ 365,000
Utilities:	
Electrical	$ 72,300
Water and Sewer	$ 18,100
Garbage	$ 18,100
Telephone	$ 2,700
Subtotal	$ 111,200
General and Administrative:	
Insurance	$ 40,700
Advertising and Marketing	$ 13,600
Office Supplies	$ 2,300
Janitorial Supplies	$ 900
Postage	$ 2,700
Subtotal	$ 60,200
Maintenance and Repair:	
Facilities M&R	$ 16,300
Equipment M&R	$ 1,800
Subtotal	$ 18,100
Other Expenses	
Misc.	$ 1,000
Contingency	$ 10,000
Subtotal	$ 11,000
Property Taxes**	$ 90,000
Total Operating Expenses	**$ 655,500**

* will be rounded to nearest $1000 in cash flow runs
** May change due to refinement of Capital Costs
Source: Carter Strauch as adjusted by WK&A

Discounted Cash Flow/Internal Rate of Return
Treasure Island Marina - 600 Berth Scenario
[Adjusted Capital Cost-With Financing]
[$000]

	1999	2000	2001	2002	2003	2004	2005	2006
Income								
Berths								
Covered Storage	$ -	$ -	$ 1,363	$ 1,872	$ 2,169	$ 2,234	$ 2,301	$ 2,370
Outside Storage	$ -	$ -	$ 86	$ 106	$ 109	$ 113	$ 116	$ 120
Moorings[1]	$ -	$ -	$ 72	$ 89	$ 91	$ 94	$ 97	$ 100
Marina Store[2]	$ -	$ -	$ 16	$ 22	$ 22	$ 23	$ 24	$ 24
Marina Store Costs	$ -	$ -	$ 191	$ 197	$ 203	$ 209	$ 215	$ 221
	$ -	$ -	$ (162)	$ (167)	$ (172)	$ (177)	$ (183)	$ (188)
Total Income	$ -	$ -	$ 1,565	$ 2,118	$ 2,422	$ 2,495	$ 2,570	$ 2,647
Less:								
Operating Costs								
Salaries and Fringe	$ (365)	$ (376)	$ (387)	$ (399)	$ (411)	$ (423)	$ (436)	$ (449)
Utilities:	$ (111)	$ (114)	$ (118)	$ (121)	$ (125)	$ (129)	$ (133)	$ (137)
General and Adm.:	$ (60)	$ (62)	$ (64)	$ (66)	$ (68)	$ (70)	$ (72)	$ (74)
Maintenance and Repair:	$ (18)	$ (19)	$ (19)	$ (20)	$ (20)	$ (21)	$ (21)	$ (22)
Property Taxes	$ -	$ -	$ (90)	$ (93)	$ (95)	$ (98)	$ (101)	$ (104)
Other Expenses	$ (11)	$ (11)	$ (12)	$ (12)	$ (12)	$ (13)	$ (13)	$ (14)
Total Operating Expenses	$ (565)	$ (582)	$ (689)	$ (710)	$ (731)	$ (753)	$ (776)	$ (799)
Capital Costs(Memo entry)	$ (4,100)	$ (4,100)	$ -	$	$ -	$ -	$ -	$ -
Equity	$ (1,025)	$ (1,025)	$ -	$ -	$ -	$ -	$ -	$ -
Construction Loan Interest	$ (308)	$ (615)	$ -	$ -	$ -	$ -	$ -	$ -
Take out Loan Payment	0	$ 0	$ (610)	$ (610)	$ (610)	$ (610)	$ (610)	$ (610)
Net Annual Cash Flow	$ (1,898)	$ (2,222)	$ 265	$ 797	$ 1,081	$ 1,131	$ 1,184	$ 1,237
Less:								
City Lease Cost								
Berths								
Covered Storage	$ -	$ -	$ (204)	$ (281)	$ (325)	$ (335)	$ (345)	$ (356)
Outside Storage	$ -	$ -	$ (9)	$ (11)	$ (11)	$ (11)	$ (12)	$ (12)
Moorings[1]	$ -	$ -	$ (7)	$ (9)	$ (9)	$ (9)	$ (10)	$ (10)
Marina Store[2]	$ -	$ -	$ (2)	$ (2)	$ (2)	$ (2)	$ (2)	$ (2)
	$ -	$ -	$ (2)	$ (2)	$ (2)	$ (2)	$ (2)	$ (2)
Total- City Lease Cost	$ -	$ -	$ (224)	$ (304)	$ (350)	$ (360)	$ (371)	$ (382)
Net Project Cash Flow	$ (1,898)	$ (2,222)	$ 42	$ 493	$ 731	$ 771	$ 813	$ 855
Present Value factor @ 9%	0.917430	0.841680	0.77218	0.70843	0.64993	0.59627	0.54703	0.50187
Annualized Present Value	$ (1,741)	$ (1,870)	$ 32	$ 349	$ 475	$ 460	$ 445	$ 429
Present Value of Project @ 9%	$ 1,785,000							
Internal Rate Of Return	14.5%							

Prepared by Williams-Kuebelbeck & Associates 3/27/98

Table 4

Discounted Cash Flow/Internal Rate of Return
Treasure Island Marina - 600 Berth Scenario
[Adjusted Capital Cost-With Financing]
[$000]

2007	2008	2009	2010	2011	2012	2013	2014	2015
$ 2,441	$ 2,514	$ 2,590	$ 2,668	$ 2,748	$ 2,830	$ 2,915	$ 3,002	$ 3,092
$ 123	$ 127	$ 131	$ 135	$ 139	$ 143	$ 147	$ 151	$ 156
$ 103	$ 106	$ 109	$ 112	$ 115	$ 119	$ 123	$ 126	$ 130
$ 25	$ 26	$ 26	$ 27	$ 28	$ 29	$ 30	$ 31	$ 32
$ 228	$ 235	$ 242	$ 249	$ 257	$ 264	$ 272	$ 280	$ 289
$ (194)	$ (200)	$ (206)	$ (212)	$ (218)	$ (225)	$ (231)	$ (238)	$ (246)
$ 2,726	$ 2,808	$ 2,892	$ 2,979	$ 3,068	$ 3,160	$ 3,255	$ 3,353	$ 3,453
$ (462)	$ (476)	$ (491)	$ (505)	$ (520)	$ (536)	$ (552)	$ (569)	$ (586)
$ (141)	$ (145)	$ (149)	$ (154)	$ (158)	$ (163)	$ (168)	$ (173)	$ (178)
$ (76)	$ (78)	$ (81)	$ (83)	$ (86)	$ (88)	$ (91)	$ (93)	$ (96)
$ (23)	$ (23)	$ (24)	$ (25)	$ (26)	$ (26)	$ (27)	$ (28)	$ (29)
$ (107)	$ (111)	$ (114)	$ (117)	$ (121)	$ (125)	$ (128)	$ (132)	$ (136)
$ (14)	$ (14)	$ (15)	$ (15)	$ (16)	$ (16)	$ (17)	$ (17)	$ (18)
$ (823)	$ (848)	$ (873)	$ (900)	$ (927)	$ (954)	$ (983)	$ (1,012)	$ (1,043)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ (610)	$ (610)	$ (610)	$ (610)	$ (610)	$ (610)	$ (610)	$ (610)	$ (610)
$ 1,293	$ 1,350	$ 1,409	$ 1,469	$ 1,532	$ 1,596	$ 1,662	$ 1,730	$ 1,801
$ (366)	$ (377)	$ (388)	$ (400)	$ (412)	$ (424)	$ (437)	$ (450)	$ (464)
$ (12)	$ (13)	$ (13)	$ (13)	$ (14)	$ (14)	$ (15)	$ (15)	$ (16)
$ (10)	$ (11)	$ (11)	$ (11)	$ (12)	$ (12)	$ (12)	$ (13)	$ (13)
$ (2)	$ (3)	$ (3)	$ (3)	$ (3)	$ (3)	$ (3)	$ (3)	$ (3)
$ (2)	$ (2)	$ (2)	$ (2)	$ (3)	$ (3)	$ (3)	$ (3)	$ (3)
$ (394)	$ (405)	$ (417)	$ (430)	$ (443)	$ (456)	$ (470)	$ (484)	$ (499)
$ 899	$ 945	$ 991	$ 1,039	$ 1,089	$ 1,140	$ 1,192	$ 1,246	$ 1,302
0.46043	0.42241	0.38753	0.35553	0.32618	0.29925	0.27454	0.25187	0.23107
$ 414	$ 399	$ 384	$ 370	$ 355	$ 341	$ 327	$ 314	$ 301

Treasure Island Marina
600 Berth Marina
City Lease Income
[$000]

Year	Berths	Covered Storage	Outside Storage	Moorings	Marina Store	Total	Present Worth Factor@ 9%	Present Value @ 9%
1999	$ -	$ -	$ -	$ -	$ -	$ -	0.91743	$ -
2000	$ -	$ -	$ -	$ -	$ -	$ -	0.84168.	$ -
2001	$ 204	$ 9	$ 7	$ 2	$ 2	$ 224	0.77218	$ 173
2002	$ 281	$ 11	$ 9	$ 2	$ 2	$ 304	0.70843	$ 216
2003	$ 325	$ 11	$ 9	$ 2	$ 2	$ 350	0.64993	$ 227
2004	$ 335	$ 11	$ 9	$ 2	$ 2	$ 360	0.59627	$ 215
2005	$ 345	$ 12	$ 10	$ 2	$ 2	$ 371	0.54703	$ 203
2006	$ 356	$ 12	$ 10	$ 2	$ 2	$ 382	0.50187	$ 192
2007	$ 366	$ 12	$ 10	$ 2	$ 2	$ 394	0.46043	$ 181
2008	$ 377	$ 13	$ 11	$ 3	$ 2	$ 405	0.42241	$ 171
2009	$ 388	$ 13	$ 11	$ 3	$ 2	$ 417	0.38753	$ 162
2010	$ 400	$ 13	$ 11	$ 3	$ 2	$ 430	0.35553	$ 153
2011	$ 412	$ 14	$ 12	$ 3	$ 3	$ 443	0.32618	$ 144
2012	$ 424	$ 14	$ 12	$ 3	$ 3	$ 456	0.29925	$ 137
2013	$ 437	$ 15	$ 12	$ 3	$ 3	$ 470	0.27454	$ 129
2014	$ 450	$ 15	$ 13	$ 3	$ 3	$ 484	0.25187	$ 122
2015	$ 464	$ 16	$ 13	$ 3	$ 3	$ 499	0.23107	$ 115
Total	$ 5,566	$ 190	$ 158	$ 38	$ 36	$ 5,989	n/a	$ 2,539

Source: Income schedules and City Lease Rate Schedule; Williams-Kuebelbeck & Assoc, Inc.

The Yucaipa Companies

November 9, 1998

Ms. Marianne Conarroe
Office of the Mayor, San Francisco
Treasure Island Project
410 Avenue of the Palms
Building 1, 2nd Floor
Treasure Island
San Francisco, CA 94130

Dear Ms. Conarroe:

This letter is in response to your letter of November 5, 1998, which requests additional financial information regarding Treasure Island Enterprises ("TIE").

As you know, TIE is a limited liability company, which was formed on January 12, 1998, for the sole purpose of developing and operating the Treasure Island Marina. My hope is that, by providing you with some background information on the principals of TIE, you will get comfortable with our ability to fund the construction and ongoing operation of the Marina.

Yucaipa has never failed to complete a transaction for which a definitive agreement has been signed. For this project, The Yucaipa Companies, the managing member of TIE, will commit to post a construction guarantee to ensure the successful construction of the project.

The managing member and majority owner of TIE is The Yucaipa Companies ("Yucaipa"). Yucaipa is a Los Angeles-based private investment firm that was founded in 1986 by Ron Burkle. Since its inception, Yucaipa has completed or has current agreements to complete 17 transactions with an aggregate transaction value in excess of $29 billion.

Yucaipa and its partners have invested over $450 million of equity since 1986 in numerous real estate and business transactions. Additionally, Yucaipa has raised billions of dollars of public debt and equity financing during its history, and has very close relationships with many of the country's leading financial institutions.

10000 Santa Monica Boulevard, Fifth Floor / Los Angeles, California 90067
Fax (310) 789-7201 / Telephone (310) 789-7200

1998 has been a landmark year for Yucaipa. The recently announced sale of Dominick's Finer Foods, a Chicago-based supermarket chain that Yucaipa has controlled since 1995, will generate significant equity returns to the Dominick's shareholders (and Yucaipa principals) when it closes this month. The merger of Fred Meyer, Inc. and The Kroger Company, which will create a $43 billion supermarket chain, will result in Yucaipa being the largest shareholder of the largest supermarket chain in the United States.

I encourage you to speak with some of the people and organizations with which Yucaipa has worked in the past. I am confident that these parties will give you comfort about both our reputation in the business community in general and about our ability to provide the funds necessary to complete the project quickly and professionally.

Sincerely,

Darius Anderson
Project Manager and
Partner of TIE

ALMAR LTD.
ALMAR PLAZA
28441 Highridge Road, Suite 110
Rolling Hills Estates California 90274-4870
FAX (310) 544-1256
Telephone (310) 541 3830

HARRY L. NELSON, JR.
President

November 9, 1998

Miss Marianne Conarroe
Treasure Island Project
Building One
Second Floor
Treasure Island, CA 94130

Re: Treasure Island Enterprises, LLC (TIE)

Dear Miss Conarroe:

Darius Anderson of TIE has advised us that you have requested additional financial information concerning Almar Ltd. ("Company") and its associated marinas. The Company is a member of TIE and has a 10% interest in it.

This Company is a California corporation of which I am the sole owner. It acts as managing general partner or manager of a number of limited partnerships and limited liability companies. In addition, in each of these enterprises it owns a small minority equity interest. I individually own more than a majority interest in all of the same entities. The remaining equity interests are owned by my partner or members of his family, all of whom reside on the East Coast. None are active in the business.

Our enterprise currently consists of five operating marinas and various other business entities which are not associated in any way with the operations of the marinas. The following would be considered a management report with respect to the marinas.

Enclosed are financial reports for Anacapa Isle Marina, LLP; Ballena Isle Marina, LLC; and Cabrillo Isle Marina, LLC. These reports reflect values of real estate investment held for long periods of time. To make them more intelligible in terms of current conditions, a market value estimate has been added to each report for comparison purposes. The book value reflects years of depreciation write-offs and other amortizations which have brought account values to very low levels for

bookkeeping purposes. For the most part these values are well below those that the particular asset would have in the marketplace were it offered for sale. The following are specific comments with respect to the reports of each of these marinas.

Anacapa has been owned and operated since 1975. It is a large complex, just under 500 boat berths, 120 apartment units independently owned, two tennis courts, three swimming pools, a clubhouse and various other structures jointly owned. In 1984 the apartments were sold to a non-affiliated third party under terms which the Marina and apartments are operated separately, but the common facilities used by both boaters and apartment tenants are operated jointly. Anacapa's financial report reflects, therefore, only the Marina activity and not the apartments or common area. It is the largest and most developed marina in Channel Islands Harbor and therefore is the leader in quality and operation of facilities. In December 1997 Anacapa's then existing secured indebtedness was refinanced, resulting in a bookkeeping increase in equity of $3,500,000. The true value of that equity in current market terms is considerably higher.

Ballena completed a refinancing of its long term indebtedness in June of this year. For that reason its report is dated as of the end of that month. The refinancing and related transactions increased its book or accounting (financial statement) net by approximately $5,000,000. Its market value is well in excess of the book value, which is confirmed by the Tax Assessor's value of a similar amount. The property is currently enjoying a significant recovery from the effects of the California recession, which adversely affected most real estate investments. Its marina of approximately 500 boat berths is now 92% occupied with a waiting list for the larger boat berths. In addition, it offers two large office building complexes, substantially rented. Another building is rented on a long term lease for restaurant purposes. The entire marina setting commands overwhelming skyline views of San Francisco from its unique location on the San Francisco Bay. This location is in demand because of the easy boater access to the Bay. Ballena also has one of the few fuel docks on the Bay and is therefore attractive to boaters throughout the area.

Cabrillo is a traditional marina of approximately 485 boat berths. Built by Almar beginning in 1975, it has seen significant rebuilding over the years to maintain its leading position as one of the premiere marinas in San Diego Harbor. Its location, immediately adjacent to the San Diego Airport and between two Sheraton Hotel Resorts makes it a prime location for boaters. Its book value reflects years of depreciation write-offs, a rebuilding and then additional write-offs of the new assets. During the last 18 months each of these marinas refinanced their long term debt on very favorable terms. All of the new loans were supported by independent MAI appraisals and current market values as indicated by their financial reports.

In addition to the foregoing described marinas, Almar manages Cabo Isle Marina in Cabo San Lucas and Ventura Isle Marina in Ventura, California. Cabo Isle Marina is a Mexican corporation operating solely within Mexico. It reports its financial condition in pesos, using accounting methods that are somewhat different from the

United States. Accordingly no financial report on its operations is enclosed. It is a very successful enterprise, a model widely copied and envied in Mexico. Its value is in the low eight figure range. It has no debt. The marina consists of approximately 350 boat berths, a major fuel dock servicing the entire Baja Sur California area, south of La Paz, and various other buildings to service boater needs. Boating activity in Cabo San Lucas and the surrounding area is significantly different than that experienced in California, although a great majority of the boaters are United States citizens, principally from the California. The average size boat is significantly larger and certainly more actively used than those in the San Francisco Bay area.

Ventura Isle Marina, LLP, is in the process of refinancing its long term indebtedness on new favorable terms reflecting current lower interest generally available. When completed in the next few days its net worth in present value terms will increase about $3,000,000. The book value of its assets will remain low because of the many years of write-offs dating to 1973.

I hope this letter and the additional information provided answers all of the questions you may have regarding Almar Ltd.

Yours very truly,

Harry L. Nelson

HARRY L. NELSON, JR.

HLN/da
Enclosures

SIMON, STEEMKE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
655 DEEP VALLEY DRIVE, SUITE 190
ROLLING HILLS ESTATES, CALIFORNIA 90274
(310) 377-6783 · FAX (310) 544-9832

November 6, 1998

Harry L. Nelson, Jr., Esq.
Almar Ltd. & Related Companies
28441 Highridge Road, Suite 110
Rolling Hills Estates, CA 90274

Dear Harry L. Nelson, Jr.:

The approximate market value equity of Almar Ltd. and related companies as of December 31, 1997 was $9,429,000.

The related Companies are California limited partnerships (Almar Plaza, Anacapa Isle Marina and Ventura Isle Marina) and limited liability companies (Cabrillo Isle Marina, LLC and Ballena Isle Marina, LLC). The market value information was determined by the management of Almar Ltd. and related companies.

During 1998 Ballena Isle Marina, LLC and Ventura Isle Marina have refinanced with Nationscredit. Due to reduction of debt on the payment of the loans with Aetna and Sherratt and capital contributions the approximate market value equity of Almar Ltd. and related companies as of November 1998 will increase to $14,580,000.

Please call if you have any questions.

Very truly yours,

Larry Steemke

Larry Steemke

ANACAPA ISLE MARINA

BALANCE SHEET

December 31, 1997

SIMON, STEEMKE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

ANACAPA ISLE MARINA

BALANCE SHEET

December 31, 1997

SIMON, STEEMKE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
655 DEEP VALLEY DRIVE, SUITE 190
ROLLING HILLS ESTATES, CALIFORNIA 90274
(310) 377-6783 · FAX (310) 544-9832

To the Partners
Anacapa Isle Marina
28441 Highridge Road, Suite 110
Rolling Hills Estates, California 90274

We have reviewed the accompanying balance sheet of Anacapa Isle Marina as of December 31, 1997 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in this balance sheet is the representation of the management of Anacapa Isle Marina.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying balance sheet in order for it to be in conformity with generally accepted accounting principles.

The supplemental market value information as of December 31, 1997 was determined by the management of Anacapa Isle Marina and is presented only for supplementary analysis purposes and has not been subjected to the inquiry and analytical procedures applied in the review of the balance sheet, but was compiled without audit or review from information that is the representation of management, and we do not express an opinion or any other form of assurance on such information.

Simon, Steemke + Company

SIMON, STEEMKE & COMPANY

April 24, 1998

ANACAPA ISLE MARINA
(a California limited partnership)
BALANCE SHEET
December 31, 1997

	Cost	Supplemental Market Value Information
ASSETS		
RENTAL PROPERTY pledged, less accumulated depreciation of $2,520,513 (Notes 1, 2, 3 and 4)	$ 567,447	$5,000,000
LEASE, less accumulated amortization of $11,553	13,447	-
LOAN COSTS, less accumulated amortization of $1,872	169,065	-
DEBT SERVICE ACCOUNT	100,220	100,220
ACCOUNTS RECEIVABLE	19,616	19,616
PREPAID EXPENSES	21,228	21,228
CASH	26,373	26,373
Total assets	$ 917,396	$5,167,437
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)		
NOTES PAYABLE (Note 4)	$ 3,527,344	$3,527,344
ACCRUED INTEREST PAYABLE - AFFILIATES	99,279	99,279
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	52,337	52,337
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - PARTNER	129,510	129,510
DUE TO PARTNERS	3,500	3,500
DUE TO AFFILIATE	350,374	350,374
SECURITY DEPOSITS	149,751	149,751
Total liabilities	4,312,095	4,312,095
PARTNERS' CAPITAL (DEFICIT) (from inception)		
Capital contributions	3,975,732	
Net income	3,845,309	
Withdrawals	(11,215,740)	
Total partners' capital (deficit)	(3,394,699)	855,342
Total liabilities and partners' capital (deficit)	$ 917,396	$5,167,437

See Accountants' Review Report

ANACAPA ISLE MARINA
NOTES TO BALANCE SHEET
December 31, 1997

NOTE 1 - Significant Accounting Policies

A. The company primarily uses the straight-line method of computing depreciation and amortization for rental property.

B. Lease costs are amortized by the straight-line method over the life of the lease.

C. Loan costs are amortized by the straight-line method over the life of the loan.

D. Partnership income is reportable by the partners on their individual income tax returns. Accordingly, provision for federal and state income taxes is not reflected in the partnership's balance sheet.

E. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - Anacapa Isle Marina

The Marina located in Channel Islands Harbor, Oxnard, California is a development of 471 boat berths, a recreational clubhouse, two independent restrooms, living quarters and supporting storage and outlying buildings plus two tennis courts and swimming pools.

The water and land held by Anacapa Isle Marina are leased from the County of Ventura through December 2025.

Certain of the non-revenue producing facilities being those on the land which are used in conjunction with adjacent apartments are operated under a common area agreement with the owners of the apartments which provides for joint use of their facilities and equal sharing of operating costs.

ANACAPA ISLE MARINA
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 3 - Rental Property

The detail of the rental property and accumulated depreciation and amortization as of December 31, 1997 is as follows:

		Estimated Life in Years
Original cost:		
Buildings, leasehold improvements and fixtures	$1,270,465	5-31
Boat berths	1,817,495	10-15
	3,087,960	
Less accumulated depreciation	2,520,513	
	$ 567,447	

ANACAPA ISLE MARINA
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 4 - Notes Payable

Description		Terms
Santa Barbara Bank & Trust (assigned to California Investment Co., an affiliate)	$ 14,365	Principal and interest of $7,050 due monthly until April 3, 1998 when unpaid principal and accrued interest is due. Interest at prime plus 2.250% (initial rate was 11.250%).
California Investment Co., an affiliate	12,979	Monthly payments of $7,050 commence when above note to Santa Barbara Bank & Trust is paid. Interest accrues at prime plus 2.250% (initial rate was 11.250%).

ANACAPA ISLE MARINA
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 4 - Notes Payable (continued)

Description		Terms
NationsCredit Commercial Corportation	$3,500,000	Principal and interest is payable in monthly installments of principal (calculated to be equal to the amount which would be sufficient to amortize the principal balance of this note over twenty years with interest accruing thereon at the base rate in effect on the date of this note plus interest at the U.S. Treasury obligation rate plus the rate spread as defined in the note which can range from 2.95% to 3.5% (Base rate at start of note is 8.68%). Unpaid principal and interest is due January, 2003. The loan may not be prepaid before the forty ninth month without a penalty. In the event the debt service coverage ratio is less than 1.25 to 1 the borrower in addition to regularly scheduled monthly payments of principal and interest under the note, deposit 100% of the net cash flow for the preceeding loan month. Borrower shall deposit with lender monthly an amount equal to 2% of gross revenue during the prior loan month. So long as no event of default shall exist, lender shall make these funds available to borrower subject to certain conditions. Note payable is secured by leasehold estate, deed of trust and assignment of rents and guarantees.
	$3,527,344	

ANACAPA ISLE MARINA
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 4 - Notes payable (continued)

Principal payments are due as follows:

1998	$ 58,000
1999	64,000
2000	71,000
2001	78,000
2002	3,229,000

NOTE 5 - Related Party Transactions

The following transactions occurred between the company and a partner:

a. A partner, Almar, Ltd., has an agreement for management fees. The management fees for 1997 were $52,951.

b. The partner, Almar, Ltd., was also reimbursed $179,596 for certain operating expenses paid by Almar Ltd. for the company.

ANACAPA ISLE MARINA
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 6 - Reconciliation to Income Tax Method of Accounting

The differences between the cash receipts and disbursements method of accounting for income tax reporting and the accrual method of accounting used in the accompanying balance sheet are as follows: (This does not reflect an IRC Sec 754 election.)

Net income (loss) - financial statements	$ 2,678,222
Accounts payable and accrued liabilities- December 31, 1996	(613,903)
Accounts receivable and prepaid expense - December 31, 1996	18,440
Accounts payable and accrued liabilities - December 31, 1997	250,455
Accounts receivable and prepaid expense - December 31, 1997	(26,473)
Depreciation	14,526
Net income (loss) income tax method	$ 2,321,267
Partners' deficit - financial statements	$(3,394,699)
Accounts payable and accrued liabilities	250,455
Accounts receivable and prepaid expense	(26,473)
Depreciation	(78,363)
Partners' deficit - income tax method	$(3,249,080)

ANACAPA ISLE MARINA
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 7 - Lease

The water and land held by Anacapa Isle Marina are leased from the County of Ventura through December 2025 with an option to extend for six years. The annual rent is a percentage of gross revenue with future minimum lease payments, as of December 31, 1997 under this noncancelable operating lease as follows:

1998	$ 271,400
1999	271,400
2000	271,400
2001	271,400
2002	271,400
2003 and thereafter	6,242,200
Total minimum lease payments	$7,599,200

The lease agreement provides for the adjustment every five years as of August 1 of the percentage rate on gross revenue and the minimum annual rent to an amount equal to 80% of the total yearly rent paid during the previous five years. The minimum rent was adjusted at August 1, 1988. The August 1993 and beyond adjustment to minimum annual rent had not been determined as of December 31, 1997. Pursuant to the lease the adjustments are being arbitrated and the adjustment of the percentage rate on gross revenue cannot be greater than 25% of the existing rate.

Rent expense incurred for the year ended December 31, 1997 was $275,496.

CABRILLO ISLE MARINA, LLC

BALANCE SHEET

December 31, 1997

SIMON, STEEMKE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

CABRILLO ISLE MARINA, LLC

BALANCE SHEET

December 31, 1997

SIMON, STEEMKE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
655 DEEP VALLEY DRIVE, SUITE 190
ROLLING HILLS ESTATES, CALIFORNIA 90274
(310) 377-6783 · FAX (310) 544-9832

To the Members
Cabrillo Isle Marina, LLC
28441 Highridge Road, Suite 110
Rolling Hills Estates, California 90274

We have reviewed the accompanying balance sheet of Cabrillo Isle Marina, LLC as of December 31, 1997 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in this balance sheet is the representation of the management of Cabrillo Isle Marina, LLC.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying balance sheet in order for it to be in conformity with generally accepted accounting principles.

The supplemental market value information as of December 31, 1997 was determined by the management of Cabrillo Isle Marina, LLC and is presented only for supplementary analysis purposes and has not been subjected to the inquiry and analytical procedures applied in the review of the balance sheet, but was compiled without audit or review from information that is the representation of management, and we do not express an opinion or any other form of assurance on such information.

Simon Steemke + Company

SIMON, STEEMKE & COMPANY

April 24, 1998

CABRILLO ISLE MARINA, LLC
(a California limited liability company)
BALANCE SHEET
December 31, 1997

	Cost	Supplemental Market Value Information
ASSETS		
RENTAL PROPERTY pledged, less accumulated depreciation of $2,138,078	$ 137,897	$7,600,000
LOAN FEES, less accumulated amortization of $ 16,584	174,769	-
NOTE RECEIVABLE-MEMBER (Note 5)	903,231	903,231
ACCOUNTS RECEIVABLE	13,553	13,553
PREPAID EXPENSES AND OTHER ASSETS	27,794	27,794
CASH	5,077	5,077
Total assets	$1,262,321	$8,549,655
LIABILITIES AND MEMBERS' CAPITAL (DEFICIT)		
NOTE PAYABLE (Note 4)	$3,229,047	$3,229,047
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	32,429	32,429
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - PARTNER	33,426	33,426
SECURITY DEPOSITS	161,862	161,862
Total liabilities	3,456,764	3,456,764
MEMBERS' CAPITAL (DEFICIT) (from inception)		
Capital contributions	3,538,058	
Net income	3,504,586	
Withdrawals	(9,237,087)	
Total members' capital (deficit)	(2,194,443)	5,092,891
Total liabilities and members' capital (deficit)	$1,262,321	$8,549,655

CABRILLO ISLE MARINA, LLC
NOTES TO BALANCE SHEET
December 31, 1997

NOTE 1 - Significant Accounting Policies

A. The company primarily uses the straight-line method of computing depreciation and amortization for rental property.

B. Lease costs are amortized by the straight-line method over the life of the lease.

C. Company income is reportable by the members on their individual income tax returns. Accordingly, provision for federal and state income taxes is not reflected in the company's balance sheet.

D. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - Cabrillo Isle Marina

The Marina consisting of 448 boat berths, administrative and sales building and shore-side parking facilities is in Harbor Island, San Diego. In 1988 dock systems A-E and major portions of docks H and I were extensively repaired.

The water and land are leased from the San Diego Unified Port District for a term expiring August 2014.

NOTE 3 - Rental Property

The detail of the property and accumulated depreciation and amortization as of December 31, 1997 is:

		Estimated Life in Years
Original cost:		
Boat slips	$1,401,204	10 - 13
Buildings	274,828	30
Furniture and fixtures	324,884	4 - 15
Offsite improvements	161,883	7 - 10
Leasehold improvements	14,565	10
Boat	98,611	10
	2,275,975	
Less accumulated depreciation and amortization	2,138,078	
Totals	$ 137,897	

See Accountants' Review Report

CABRILLO ISLE MARINA, LLC
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 4 - Note Payable

$3,229,047

Note payable Nationscredit Commercial Corporation is secured by leasehold estate and assignment of rents and is payable in monthly installments of principal (calculated to be equal to the amount which would be sufficient to amortize the principal balance of this note over seventeen years with interest accruing thereon at 9.75% per annum) plus interest at the commercial paper rate plus 4.25%. Unpaid principal and interest is due August, 2002. The loan may not be prepaid before the forty-ninth month without a penalty. In the event the debt service coverage ratio is less than 1.25 to 1 the borrower in addition to regularly scheduled monthly payments of principal and interest under the note must deposit 100% of the net cash flow for the preceeding loan month. Borrower shall deposit with lender monthly an amount equal to 2% of gross revenue during the prior loan month. So long as no event of default shall exist, lender shall make these funds available to borrower subject to certain conditions. At closing $165,000 of loan was held back from disbursement until satisfaction of the holdback conditions are met.

Principal payments are due as follows:

1998	$ 81,500
1999	89,900
2000	99,000
2001	109,200
2002	2,849,400

CABRILLO ISLE MARINA, LLC
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 5 - Note Receivable - Member

The note receivable - member is guaranteed by the member's membership interest and due 30 days after written demand and, if no demand, on December 31, 1999. Accrued interest at 9% per annum shall be due on December 31 of each year if no prior demand for payment is made. The payment of $135,000 of interest was received in 1997.

NOTE 6 - Related Party Transactions

The following transactions occurred between the company and a managing member:

a. A managing member, Almar, Ltd., has an agreement for management fees equal to 4% of adjusted slip rents. The management fees for 1997 were $64,469.

b. A managing member, Almar, Ltd., was also reimbursed $289,436 for certain operating expenses paid by Almar Ltd. for the company.

The company accrued interest at the rate of 9% on amounts due to and from members and affiliates during 1997.

CABRILLO ISLE MARINA, LLC
NOTES TO BALANCE SHEET (CONTINUED)
December 31, 1997

NOTE 7 - Reconciliation to Income Tax Method of Accounting

The differences between the cash receipts and disbursements method of accounting for income tax reporting and the accrual method of accounting used in the accompanying balance sheet are as follows: (This does not reflect an IRC Sec 754 election.)

Net income - financial statements	$379,516
Accounts receivable and prepaid expense - 1996	17,417
Accounts receivable and prepaid expense - 1997	(6,580)
Net income - income tax method	$390,353
Members' deficit - financial statements	$(2,194,443)
Accounts receivable and prepaid expense	(6,580)
Members' deficit - income tax method	$(2,201,023)

NOTE 8 - Lease

The water and lands are leased from the San Diego Unified Port District for a term expiring August 2014. The annual rent is a percentage of gross revenue with future minimum lease payments, as of December 31, 1997, under this noncancelable operating lease as follows:

1998	$ 191,000
1999	191,000
2000	191,000
2001	191,000
2002	191,000
2003 and thereafter	2,228,000
Total minimum lease payments	$3,183,000

Rent expense incurred for the year ended December 31, 1997 was $331,648.

During 1998 the District agreed to a reduction in the percentage rates for rent based on gross revenues from slips.

NOTE 9 - Reorganization

Effective July 1997, the company converted from a limited partnership to a limited liability company. Ownership percentages were unchanged by the conversion, and the partnership's income tax basis of the assets and liabilities carried over to the limited liability company.

BALLENA ISLE MARINA, LLC

BALANCE SHEET

June 30, 1998

BALLENA ISLE MARINA, LLC

BALANCE SHEET

June 30, 1998

SIMON, STEEMKE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
655 DEEP VALLEY DRIVE, SUITE 190
ROLLING HILLS ESTATES, CALIFORNIA 90274
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To the Members
Ballena Isle Marina
28441 Highridge Road, Suite 110
Rolling Hills Estates, California 90274

We have reviewed the accompanying balance sheet of Ballena Isle Marina, LLC as of June 30, 1998, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in this balance sheet is the representation of the management of Ballena Isle Marina, LLC.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying balance sheet in order for it to be in conformity with generally accepted accounting principles.

The supplementary market value information as of June 30, 1998 was determined by the management of Ballena Isle Marina, LLC, and is presented only for supplementary analysis purposes and has not been subjected to the inquiry and analytical procedures applied in the review of the balance sheet, but was compiled without audit or review from information that is the representation of management, and we do not express an opinion or any other assurance on such information.

Simon, Steemke + Company
SIMON, STEEMKE & COMPANY

August 6, 1998

BALLENA ISLE MARINA, LLC
(a California limited liability company)
BALANCE SHEET
June 30, 1998

	Cost	Supplemental Market Value Information
ASSETS		
RENTAL PROPERTY pledged, less accumulated depreciation of $9,508,670 (Notes 1, 3 and 4)	$ 3,550,900	$10,500,000
LEASE, less accumulated amortization of $327,090 (Note 1)	622,730	-
LOAN FEES (Note 1)	197,447	-
ACCOUNTS RECEIVABLE	27,453	27,453
INVENTORY	22,813	22,813
PREPAID EXPENSE AND OTHER ASSETS	12,388	12,388
CASH	1,524,079	1,524,079
Total assets	$ 5,957,810	$12,086,733
LIABILITIES AND MEMBERS' CAPITAL		
NOTE PAYABLE (Note 4)	$ 6,200,000	$ 6,200,000
NOTES PAYABLE MEMBERS	2,005,755	2,005,755
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	25,776	25,776
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - MEMBER	484,244	484,244
DUE TO MEMBER	2,013,975	2,013,975
SECURITY DEPOSITS	173,871	173,871
Total liabilities	10,903,621	10,903,621
MEMBERS' CAPITAL (from inception)		
Capital contributions	5,028,620	
Net (loss)	(9,519,932)	
Withdrawals	(454,499)	
Total members' capital (deficit)	(4,945,811)	1,183,112
Total liabilities and members' capital	$ 5,957,810	$12,086,733

See Accountants' Review Report

BALLENA ISLE MARINA, LLC
NOTES TO BALANCE SHEET
June 30, 1998

NOTE 1 - Significant Accounting Policies

A. The company primarily uses the straight-line method of computing depreciation and amortization for rental property.

B. Lease costs are amortized by the straight line method over the life of the lease.

C. Loan fees are amortized by the straight line method over the life of the loan.

D. Company income is reportable by the members on their individual income tax returns. Accordingly, provision for federal and state income taxes is not reflected in the company's balance sheet.

E. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - Ballena Isle Marina

The Marina located in Alameda, California is a development of 490 boat berths, two office building complexes subleased to commercial tenants, dry storage boat yard, two free standing restaurant and buildings (both subleased to operators) and approximately 16 acres of land held for future development.

The water and land are leased from the City of Alameda for a term expiring December 2028.

NOTE 3 - Rental Property

The detail of the rental property and accumulated depreciation and amortization is:

		Estimated Life in Years
Original cost:		
Boat berths	$ 6,705,574	15-25
Buildings	5,983,655	20-40
Furniture and fixtures	63,439	7
Transportation equipment	8,085	7
Equipment	298,817	7
	13,059,570	
Less accumulated depreciation and amortization	9,508,670	
Totals	$ 3,550,900	

NOTE 4 - Note Payable

$6,200,000	Principal and interest is payable to Nationscredit Commerical Corporation in monthly installments of principal (calculated to be equal to the amount which would be sufficient to amortize the principal balance of this note over twenty years with interest accruing thereon at the base rate in effect on the date of this note plus interest at the U.S. Treasury obligation rate plus the rate spread as defined in the note which can range from 2.95% to 3.25%. Unpaid principal and interest is due July 2003. The loan may not be prepaid before the forty-ninth month without a penalty. In the event the debt service coverage ratio is less than 1.25 to 1 the borrower in addition to regularly scheduled monthly payments of principal and interest under the note, deposit 100% of the net cash flow for the preceeding loan month. Borrower shall deposit with lender monthly an amount equal to 2% of gross revenue during the prior loan month. So long as no event of default shall exist, lender shall make these funds available to borrower subject to certain conditions. Note payable is secured by leasehold estate, deed of trust and assignment of rents and guarantees.

NOTE 5 - Related Party Transactions

The following transactions occurred between the company and a managing member:

A. A managing member, Almar, Ltd., has an agreement for management fees equal to 5% of gross receipts.

B. A managing member, Almar, Ltd., was also reimbursed for certain operating expenses paid by Almar Ltd. for the company.

C. Interest was accrued at 9% on advances due to and from members.

NOTE 6 - Lease

The tide lands are leased from the City of Alameda for a term expiring December 2028 with minimum lease payments as follows:

1998	$ 31,000
1999	31,000
2000	31,000
2001	31,000
2002	31,000
2003 and thereafter	1,081,200
Total minimum lease payments	$1,236,200

NOTE 7 - Members' Capital and Reorganization

The partnership agreement was amended in 1988. Certain members made contributions of cash to the company. These members will receive a cumulative preferred return of 4% per annum simple interest commencing February 1, 1988 and ending February 1, 1993. Additionally, these members will receive a 6% per annum simple interest preferred return commencing February 1, 1988.

Effective June 1998, the company converted from a limited partnership to a limited liability company. Ownership percentages were unchanged by the conversion, and the partnership's income tax basis of the assets and liabilities carried over to the limited liability company.

MEMORANDUM

To:	Marianne Conarroe
From:	Eila Arbuckle
Subject:	Marina RFP's
Date:	November 7, 1998

You have asked me to explain in writing (as I did for you orally prior to a decision of the selection panel) the spreadsheets attached to this memo, which I provided you on October 13, 1998.

The first spreadsheet attached to this memo provides a per berth revenue comparison among the three respondents to the RFO for marina development. The per berth revenue comparison was calculated by dividing the projected revenues, as calculated by Larry Brown (Port of SF), by the number of slips each respondent proposes to operate. The calculation was undertaken to enable you to compare the responses on the same basis despite the difference among the total number of slips each developer proposes to operate.

The subsequent spreadsheets provide a comparison of the revenue sources and percent revenue allocations for each proposal for the first ten years. Hopefully, this identifies the scope of partnership with the City proposed by each developer as well as highlights the fact that only TIE is willing to guarantee the City any income in the earliest phases of marina development. As you and the other Selection Committee members appreciate, the TI Project I most in need of a guaranteed revenue stream in the early years of the project when we must be self supporting.

I would also like to draw your attention to the final table prepared by Larry, "Treasure Island Marina Total Anticipated City Revenue from Proposed Development". This projection appears to base property taxes only on the improvements proposed, and does not include any assessment of the underlying value of the marina. The table also does not include a comparison of projected hotel taxes (Transient Occupancy Taxes) or payroll gross receipts taxes. Payroll/gross receipts taxes cannot be projected at this time with any degree of certainty. (SF requires all businesses to calculate a payroll tax and a business gross receipts tax and pay higher calculation.) Modern Continental estimates $1.456 million in TOT taxes per year upon operation of a 300-room hotel. Neither TIE nor Westrec proposes to include a hotel with marina development.

Year	Modern Continental Rent Payment per slip			Treasue Island Enterprises Rent Payment per slip			Westrec Marinas Rent Payment per slip		
	Minimum	Percent	Total	Minimum	Percent	Total	Minimum	Percent	Total
1	0.00	0.00	0.00	225.00	114.33	339.33	30.00	0.00	30.00
2	0.00	0.00	0.00	250.00	201.16	451.16	397.23	0.00	397.23
3	373.33	0.00	373.33	250.00	264.12	514.12	796.45	0.00	796.45
4	506.67	0.00	506.67	250.00	468.97	718.97	944.50	0.00	944.50
5	583.33	0.00	583.33	250.00	491.44	741.44	1,038.50	0.00	1,038.50
6	600.00	0.00	600.00	250.00	669.36	919.36	1,038.50	0.00	1,038.50
7	618.33	0.00	618.33	250.00	702.84	952.84	1,038.50	0.00	1,038.50
8	636.67	0.00	636.67	250.00	703.38	953.38	1,142.25	0.00	1,142.25
9	656.67	0.00	656.67	250.00	737.15	987.15	1,142.25	0.00	1,142.25
10	675.00	0.00	675.00	250.00	737.71	987.71	1,142.25	0.00	1,142.25
11	695.00	0.00	695.00	250.00	752.36	1,002.36	1,256.50	0.00	1,256.50
12	716.67	0.00	716.67	250.00	767.31	1,017.31	1,256.50	0.00	1,256.50
13	738.33	0.00	738.33	250.00	782.55	1,032.55	1,256.50	0.00	1,256.50
14	760.00	0.00	760.00	250.00	798.10	1,048.10	1,357.25	0.00	1,357.25
15	783.33	0.00	783.33	250.00	813.95	1,063.95	1,357.25	0.00	1,357.25

	YEAR 1					
	MC		TIE- 400 SLIPS		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		5%	17,875	20%	
Dry boat storage	10%		10%	12,096	10%	
Moorings	10%			0	5%	
Marina store	1%		5%		5%	
Liveaboard /1/			5%	1,800		
End ties			5%	358		
Guest boaters			5%	1,788		
Boat sales			5%	2,763	5%	
Chandlery			5%	360	5%	
Deli			3.5%	3,675	5%	
Nautical Club			5%	900		
Laundry			5%	120		
Coin Vending			25%	300		
Sailing Instruction			5%	30		
Fuel (net)				600	5%	
Lockers			5%	60		
Services			5%	907		
Shops			5%	1,500	5%	
Other			10%	600		
Subtotal % Rent		0		45,732		12,000
Additional Rent						
Guranteed base				90,000		
TOTAL		0		135,732		12,000

	YEAR 2					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		5%	35,910	20%	
Dry boat storage	10%		10%	24,192	10%	
Moorings	10%				5%	
Marina store	1%		5%		5%	
Liveaboard /1/			5%	2,700		
End ties			5%	718		
Guest boaters			5%	3,591		
Boat sales			5%	2,763	5%	
Chandlery			5%	360	5%	
Deli			3.5%	3,675	5%	
Nautical Club			5%	900		
Laundry			5%	120		
Coin Vending			25%	300		
Sailing Instruction			5%	60		
Fuel (net)				1,200	5%	
Lockers			5%	60		
Services			5%	1,814		
Shops			5%	1,500	5%	
Other			10%	600		
Subtotal % Rent		0		80,463		207,325
Additional Rent						
Guranteed base				100,000		
TOTAL		0		180,463		207,325

	YEAR 3					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		5%	46,284	20%	
Dry boat storage	10%		10%	36,288	10%	
Moorings	10%			0	5%	
Marina store	1%		5%		5%	
Liveaboard /1/			5%	3,150		
End ties			5%	926		
Guest boaters			5%	4,628		
Boat sales			5%	2,901	5%	
Chandlery			5%	378	5%	
Deli			3.5%	3,859	5%	
Nautical Club			5%	945		
Laundry			5%	126		
Coin Vending			25%	315		
Sailing Instruction			5%	90		
Fuel (net)				1,800	5%	
Lockers			5%	60		
Services			5%	2,722		
Shops			5%	1,575	5%	
Other			10%	600		
Subtotal % Rent		224,000		106,647		404,980
Additional Rent						
Guranteed base				102,000		
TOTAL		224,000		208,647		404,980

	YEAR 4					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		10%	114,912	20%	
Dry boat storage	10%		10%	36,288	10%	
Moorings	10%			0	5%	
Marina store	1%		5%		5%	
Liveaboard /1/			10%	7,200		
End ties			10%	2,298		
Guest boaters			10%	11,491		
Boat sales			5%	2,901	5%	
Chandlery			5%	378	5%	
Deli			3.5%	3,859	5%	
Nautical Club			5%	945		
Laundry			5%	126		
Coin Vending			25%	315		
Sailing Instruction			5%	120		
Fuel (net)				1,800	5%	
Lockers			5%	60		
Services			5%	2,722		
Shops			5%	1,575	5%	
Other			10%	600		
Subtotal % Rent		304,000		187,590		463,900
Additional Rent						
Guranteed base				104,040		
TOTAL		304,000		291,630		463,900

	YEAR 5					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		10%	120,658	20%	
Dry boat storage	10%		10%	38,102	10%	
Moorings	10%			0	5%	
Marina store	1%		5%		5%	
Liveaboard /1/			10%	7,200		
End ties			10%	2,413		
Guest boaters			10%	12,066		
Boat sales			5%	3,046	5%	
Chandlery			5%	397	5%	
Deli			3.5%	4,052	5%	
Nautical Club			5%	992		
Laundry			5%	132		
Coin Vending			25%	331		
Sailing Instruction			5%	126		
Fuel (net)				1,890	5%	
Lockers			5%	60		
Services			5%	2,858		
Shops			5%	1,654	5%	
Other			10%	600		
Subtotal % Rent		350,000		196,577		463,900
Additional Rent						
Guranteed base				106,121		
TOTAL		350,000		302,698		463,900

	YEAR 6					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	180,986	20%	
Dry boat storage	10%		10%	38,102	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	3,620		
Guest boaters			15%	18,099		
Boat sales			5%	3,046		
Chandlery			5%	397		
Deli			3.5%	4,052	5%	
Nautical Club			5%	992		
Laundry			5%	132		
Coin Vending			25%	331		
Sailing Instruction			5%	126		
Fuel (net)				1,890	5%	
Lockers			5%	60		
Services			5%	2,858		
Shops			5%	1,654	5%	
Other			10%	600		
Subtotal % Rent		360,000		267,745		504,000
Additional Rent						
Guranteed base				108,243		
TOTAL		360,000		375,988		504,000

	YEAR 7					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	190,836	20%	
Dry boat storage	10%		10%	40,008	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	3,817		
Guest boaters			15%	19,084		
Boat sales			5%	3,107		
Chandlery			5%	405		
Deli			3.5%	4,133	5%	
Nautical Club			5%	1,012		
Laundry			5%	135		
Coin Vending			25%	337		
Sailing Instruction			5%	132		
Fuel (net)				1,985	5%	
Lockers			5%	60		
Services			5%	3,001		
Shops			5%	1,687	5%	
Other			10%	600		
Subtotal % Rent		371,000		281,139		504,000
Additional Rent						
Guranteed base				110,408		
TOTAL		371,000		391,547		504,000

	YEAR 8					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	190,836	20%	
Dry boat storage	10%		10%	40,008	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	3,817		
Guest boaters			15%	19,084		
Boat sales			5%	3,169		
Chandlery			5%	413		
Deli			3.5%	4,215	5%	
Nautical Club			5%	1,032		
Laundry			5%	138		
Coin Vending			25%	344		
Sailing Instruction			5%	132		
Fuel (net)				1,985	5%	
Lockers			5%	60		
Services			5%	3,001		
Shops			5%	1,721	5%	
Other			10%	600		
Subtotal % Rent		382,000		281,355		504,000
Additional Rent						
Guranteed base				112,616		
TOTAL		382,000		393,971		504,000

	YEAR 9					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	200,686	20%	
Dry boat storage	10%		10%	42,008	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	4,014		
Guest boaters			15%	20,068		
Boat sales			5%	3,232		
Chandlery			5%	421		
Deli			3.5%	4,300	5%	
Nautical Club			5%	1,053		
Laundry			5%	140		
Coin Vending			25%	351		
Sailing Instruction			5%	139		
Fuel (net)				2,083	5%	
Lockers			5%	60		
Services			5%	3,151		
Shops			5%	1,755	5%	
Other			10%	600		
Subtotal % Rent		394,000		294,861		550,000
Additional Rent						
Guranteed base				114,869		
TOTAL		394,000		409,730		550,000

	YEAR 10					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	200,686	20%	
Dry boat storage	10%		10%	42,008	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	4,014		
Guest boaters			15%	20,068		
Boat sales			5%	3,297		
Chandlery			5%	430		
Deli			3.5%	4,386	5%	
Nautical Club			5%	1,074		
Laundry			5%	143		
Coin Vending			25%	358		
Sailing Instruction			5%	139		
Fuel (net)				2,083	5%	
Lockers			5%	60		
Services			5%	3,151		
Shops			5%	1,790	5%	
Other			10%	600		
Subtotal % Rent		405,000		295,087		550,000
Additional Rent						
Guranteed base				117,166		
TOTAL		405,000		412,253		550,000

MODERN CONTINENTAL ENTERPRISES, INC.
600 Memorial Drive • Cambridge, MA 02139 • Phone (617)864-6300 • Fax (617)864-8766

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November 6, 1998

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Marianne Conarroe
Harbormaster, Treasure Island Project
410 Avenue of the Palms, Building 1, 2nd Floor
Treasure Island
San Francisco, CA 94130
(415) 274-0660 Fax 274-0299

Re: Treasure Island Marina RFP
Request for updated financial statements

Dear Ms. Conarroe:

In response to your letter dated November 5, 1998 to Alan Hobelman, of our regional California office, prompted by a request by the Directors of the Treasure Island Development Authority, we are pleased to provide the most recent financial information for Modern Continental.

Please find enclosed consolidated audited financial for Modern Continental Construction Co., Inc. and Subsidiary for the fiscal years ending June 30, 1998 and June 30, 1997, including an Independent Auditor's Report issued by Darmody, Merlino & Co., LLP, Certified Public Accountants, dated September 22, 1998.

Sincerely,
Modern Continental Enterprises, Inc.

Robert L. Shepard

Robert L. Shepard
Vice President

Cc (w/o enclosures):

Alan Hobelman	fax	(310) 284-3228
Redmond Kernan	fax	(415) 751-1416
Annemarie Conroy	fax	(415) 274-0299
Laurence Pelosi, Esq.	fax	(415) 434-3947

MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998 AND 1997

Darmody, Merlino & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS
75 Federal Street, Boston, Massachusetts 02110

MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998 AND 1997

MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997

TABLE OF CONTENTS

Darmody, Merlino & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS
75 Federal Street, Boston, Massachusetts 02110-1997
(617) 426-7300
FAX (617) 426-2245

JOHN P. DARMODY, CPA - 1938-1961
PHILIP P. McDONNELL, CPA - 1962-1995

FRANK A. MERLINO, CPA
GEORGE J. McDONALD, CPA
ROBERT J. BOYLE, CPA
A. DENNIS BARBO, CPA
MICHAEL L. MEYERS, CPA

Independent Auditor's Report

To the Board of Directors
Modern Continental Construction Co., Inc.
Cambridge, Massachusetts

We have audited the accompanying consolidated balance sheets of Modern Continental Construction Co., Inc. and subsidiary as of June 30, 1998 and 1997, and the related consolidated statements of operations and retained earnings, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Modern Continental Construction Co., Inc. and subsidiary as of June 30, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Darmody, Merlino & Co., LLP

September 22, 1998

MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS - JUNE 30, 1998 AND 1997

ASSETS	1998	1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 70,335,072	$ 33,356,212
Receivables	70,211,756	39,491,832
Costs and estimated earnings in excess of billings on uncompleted contracts	1,000,153	3,445,762
Equity in unconsolidated construction joint ventures	14,455,014	10,123,940
Deferred income taxes	553,600	-
Other current assets	1,114,263	1,429,297
Total current assets	157,669,858	87,847,043
OTHER INVESTMENTS:		
Equity in unconsolidated non-construction joint ventures	11,357,627	10,029,378
Cash surrender value of life insurance	4,328,593	3,292,000
Real estate investments, net	13,869,694	6,133,039
Due from parent	900,000	-
Total other investments	30,455,914	19,454,417
PROPERTY AND EQUIPMENT:		
Land	559,681	398,744
Buildings and improvements	1,970,917	212,925
Construction equipment	-	18,307,140
Tools and equipment	1,445,070	136,408
Computer system	511,845	-
Motor vehicles	281,546	281,545
Furniture and fixtures	1,191,510	742,096
Total	5,960,569	20,078,858
Less: Accumulated depreciation	2,729,267	13,521,915
Net property and equipment	3,231,302	6,556,943
OTHER ASSETS:		
Prepaid lease, less current portion	720,000	1,440,000
Due from officer	-	749,760
Total other assets	720,000	2,189,760
	$192,077,074	$116,048,163

LIABILITIES AND STOCKHOLDER'S EQUITY	1998	1997
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 155,611	$ 423,124
Accounts payable	57,767,335	32,660,398
Due to affiliates of parent	1,414,169	-
Due to joint ventures	3,220,059	11,557,875
Billings in excess of costs and estimated earnings on uncompleted contracts	38,331,715	13,601,783
Accrued income tax	1,768,021	2,117,000
Other current liabilities	6,472,081	4,979,204
Deferred income taxes	-	368,900
Total current liabilities	109,128,991	65,708,284
OTHER LONG-TERM LIABILITIES:		
Bank line of credit	22,000,000	9,600,000
Long-term debt, less current portion	3,349,929	110,743
Note payable - related party	3,500,000	-
Accrued workers' compensation	2,473,869	-
Deferred incentive compensation	689,561	1,277,105
Deferred income tax	1,638,500	2,706,100
Other long-term liabilities	-	679,937
Total long-term liabilities	33,651,859	14,373,885
COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized, issued and outstanding 300 shares	32,000	32,000
Additional paid-in capital	96,000	96,000
Retained earnings - EXHIBIT B	49,168,224	35,837,994
Total stockholders' equity	49,296,224	35,965,994
	$192,077,074	$116,048,163

The accompanying notes are an integral part of these consolidated financial statements.

EXHIBIT A

MODE

CO

	1998	1997
	$ 70,3355,611	$ 423,124
	70,2157,335	32,660,398
xcess of	14,169	-
s	1,0020,059	11,557,875
tion		
	14,4531,715	13,601,783
	5568,021	2,117,000
	1,1172,081	4,979,204
	-	,368,900
	157,6628,991	65,708,284
truction		
	11,3500,000	9,600,000
ance	4,3249,929	110,743
	13,8600,000	-
	9073,869	-
	39,561	1,277,105
	30,4538,500	2,706,100
	-	,679,937
	5551,859	14,373,885
	1,97	
	-	
	1,44	
	51	
	28	
	1,1932,000	32,000
	5,9696,000	96,000
	2,7268,224	35,837,994
	3,2396,224	35,965,994
	72	
	-	
	72	
	$192,0777,074	$116,048,163

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MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
REVENUE	$ 478,878,160	$ 277,687,326
DIRECT COST	428,956,989	244,248,394
GROSS PROFIT	49,921,171	33,438,932
GENERAL AND ADMINISTRATIVE EXPENSES	19,291,116	10,862,472
OPERATING INCOME	30,630,055	22,576,460
OTHER (INCOME) EXPENSE:		
Income from unconsolidated joint ventures	(1,856,917)	(1,110,106)
Minority interest in consolidated joint ventures	6,622,727	4,761,399
Incentive compensation	4,981,955	3,826,762
Profit-sharing contribution	1,192,637	2,091,196
Other (income) expenses	1,071,114	791,495
Total other expenses	12,011,516	10,360,746
INCOME BEFORE INCOME TAXES	18,618,539	12,215,714
INCOME TAXES	5,288,309	5,083,018
NET INCOME	13,330,230	7,132,696
RETAINED EARNINGS, JULY 1	35,837,994	28,705,298
RETAINED EARNINGS, JUNE 30 - EXHIBIT A	$ 49,168,224	$ 35,837,994

The accompanying notes are an integral part
of these consolidated financial statements.

MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 13,330,230	$ 7,132,696
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,675,381	1,827,957
Gain on disposition of equipment	(619,537)	(162,043)
(Increase) decrease in:		
Receivables	(29,684,258)	(11,426,681)
Note receivable	-	1,190,000
Costs and estimated earnings in excess of billings on uncompleted contracts	2,445,609	(3,016,471)
Equity and advances in unconsolidated joint ventures	(14,283,045)	3,004,809
Other current assets	315,034	(266,283)
Cash surrender value - life insurance	(1,036,593)	(767,000)
Increase (decrease) in:		
Accounts payable	25,106,937	3,103,276
Billings in excess of costs and estimated earnings on uncompleted contracts	24,729,932	5,365,200
Other current liabilities	1,492,877	2,697,864
Accrued income taxes	(348,979)	2,601,100
Deferred income taxes	(1,990,100)	268,000
Other long-term liabilities	(679,937)	69,295
Deferred incentive compensation	(587,544)	256,541
Accrued workers' compensation	2,473,869	-
Due from affiliates of parent	1,414,169	-
Total adjustments	10,423,815	4,745,564
Net cash provided by operating activities	23,754,045	11,878,260
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and real estate	(9,979,858)	(2,095,558)
Proceeds from disposition of property and equipment	5,233,000	1,564,999
Advance to parent	(900,000)	-
Net cash used in investing activities	(5,646,858)	(530,559)

The accompanying notes are an integral part
of these consolidated financial statements.

MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - CONTINUED

	1998	1997
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable - related party	$ 3,500,000	$ -
Proceeds from notes payable - bank	15,850,748	1,000,000
Payments against long-term debt	(479,075)	(441,954)
Net cash provided by financing activities	18,871,673	558,046
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,978,860	11,905,747
CASH AND CASH EQUIVALENTS, JULY 1	33,356,212	21,450,465
CASH AND CASH EQUIVALENTS, JUNE 30	$ 70,335,072	$ 33,356,212

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	1998	1997
CASH PAID DURING THE YEAR FOR:		
Interest	$ 494,896	$ 545,466
Income taxes	7,100,985	1,889,616

The accompanying notes are an integral part
of these consolidated financial statements.

MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997

Note 1: STATEMENT OF ACCOUNTING POLICIES

Organization:

The Company is a heavy civil contractor engaged in the construction of highways, mass transit facilities and other infrastructure-related projects primarily for governmental agencies of the Commonwealth of Massachusetts. The Company is also engaged in the agricultural business and providing mass transportation services. The Company is a wholly-owned subsidiary of Modern Continental Construction Holding Co., Inc.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned foreign subsidiary, Modern Continental Construcoes, LTDA. All significant intercompany transactions have been eliminated.

Equity in Joint Ventures:

Investments in joint ventures are accounted for by the equity method. The Company consolidates 100% of joint venture revenue, cost of revenue and other income in the consolidated statement of operations on construction ventures in which the Company has a majority interest and their proportionate share on construction joint ventures which they have a minority interest. The minority joint venturer portion is reflected as "minority interest" in the operating statement.

Balance Sheet Classifications:

The Company includes in current assets and liabilities amounts receivable and payable under construction contracts, including equity in joint ventures, which may extend beyond one year. A one-years time period is used as the basis for classifying all other current assets and liabilities.

Note 1: STATEMENT OF ACCOUNTING POLICIES - Continued

Use of Estimates:

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reporting amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used and the differences could be significant.

Long-term Construction Contracts:

The Company determines construction earnings under the percentage-of-completion method. Under this method, the Company recognizes as profit that portion of the total profit anticipated from the contract which the cost of the work completed bears to the estimated total cost of the work covered by the contract. Where a loss is forecast for a contract, the full amount of the anticipated loss is recognized in the years in which it is determined that a loss will occur.

The performance of such contracts may extend over several years, and therefore periodic reviews of estimated final revenues and costs are necessary during the term of the contracts. Final contract settlements and periodic reviews may result in revisions to estimated final contract profits or losses which have the effect of including cumulative adjustments to income reported to date in subsequent accounting periods.

Property and Equipment:

Property, plant and equipment are recorded at cost. Major additions and improvements are capitalized, while ordinary maintenance and repairs are charged to income as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reported as current year's revenue or expense. For financial reporting purposes, the Company provides for depreciation of equipment using the straight-line method, and for buildings using an accelerated method over the estimated useful lives of the assets as follows:

Note 1: STATEMENT OF ACCOUNTING POLICIES - Continued

Property and Equipment - Continued:

Buildings and improvements	40 years
Construction equipment	5-15 years
Tools and equipment	3- 5 years
Computer system	5 years
Motor vehicles	3- 7 years
Furniture and fixtures	5-10 years

For income tax reporting purposes, the Company uses primarily accelerated depreciation methods.

Income Taxes:

The Company recognizes deferred tax assets and liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date.

The Company files consolidated Federal and state tax returns with Modern Continental Companies, Inc. Consequently, the Company's income taxes are determined by its proportionate share of the consolidated taxable income.

Cash and Cash Equivalents:

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Financial Instruments:

All significant debt obligations carry variable interest rates and their carrying value is considered to approximate fair value. The carrying value of receivables and other amounts arising out of normal contract activities, including retentions which may be settled beyond one year, is estimated to approximate fair value.

MODERN CONTINENTAL CONSTRUCTION CO., INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 1998 AND 1997

Note 1: STATEMENT OF ACCOUNTING POLICIES - Continued

Reclassifications:

Certain accounts in the 1997 financial statements have been reclassified to conform with the 1998 presentation.

Note 2: RECEIVABLES

	1998	1997
Contract Receivables:		
Currently due	$43,973,941	$25,022,308
Retainage	19,600,878	9,481,767
Related Parties:		
Due from affiliates of parent	5,550,684	3,881,058
Due from joint ventures	307,125	21,219
Due from officers	399,779	914,314
Interest receivable	275,479	97,482
Employees	103,870	73,684
	$70,211,756	$39,491,832

The Company also had an additional amount due from an officer of $749,760 as of June 30, 1997.

Note 3: TRANSACTIONS WITH RELATED PARTIES

The Company is related to several entities, including joint ventures through common ownership and management.

The Company performed construction services, administrative services, rented equipment and vehicles and recognized realized gains on sale of equipment with these related parties as follows:

Construction services	$ 1,406,710	$ 3,687,365
Administrative services	1,975,541	2,568,304
Equipment and vehicle rentals	1,800,315	754,522
Realized gains on sale of equipment	784,415	44,000

Note 3: TRANSACTIONS WITH RELATED PARTIES - Continued

The Company purchased goods and services from related parties as follows:

	1998	1997
Office rent and expenses	$1,123,251	$ 1,138,090
Equipment rental	5,807,284	-

In addition to the above transactions, the Company advances and borrows funds for working capital needs and share common expenses with these related parties. The balances outstanding as of June 30, 1998 and 1997 are as follows:

	1998	1997
Receivable:		
Joint ventures	307,125	21,219
Affiliated entities	5,550,684	3,881,058
Payable:		
Joint ventures	3,220,059	11,557,875
Affiliated entities	1,414,169	-
Notes Payable:		
Affiliated entity	3,500,000	-

The Company has entered into an operating lease commencing July 1, 1996 for office space with a related party that owns 600 Memorial Drive, Cambridge, Massachusetts, the Company's headquarters. This lease calls for annual base rent of approximately $723,000 and estimated annual operating expenses of approximately $247,000. This lease expires on June 30, 2006. The Company had prepaid $2,160,000 against this lease obligation, which is for the period July 1, 1997 to June 30, 2000. During the year ended June 30, 1998, $720,000 had been amortized.

Note 4: COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

	1998	1997
Costs incurred on uncompleted contracts	$ 453,020,662	$ 258,356,641
Estimated earnings	45,758,243	32,433,203
	498,778,905	290,789,844
Less: Billings to date	536,110,467	300,945,865
	$(37,331,562)	$(10,156,021)
Included in the accompanying balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 1,000,153	$ 3,445,762
Billings in excess of costs and estimated earnings on uncompleted contracts	38,331,715	13,601,783
	$(37,331,562)	$(10,156,021)

Note 5: LONG-TERM DEBT AND NOTE PAYABLE - RELATED PARTY

	1998	1997
7.38% installment note payable in monthly principal and interest payments of $37,367 until September, 1998. This note is secured by specific equipment.	$ 74,056	$ 533,867
7.60% installment note payable in monthly principal and interest payments of $28,231 until February, 2003, at which time a balloon payment is due. This note is secured by a specific piece of real estate.	3,431,484	-
	3,505,540	533,867
Less: Current installments	155,611	423,124
	$ 3,349,929	$ 110,743

Note 5: LONG-TERM DEBT AND NOTE PAYABLE - RELATED PARTY - Continued

The Company has also borrowed $3,500,000 from a related party. This note is unsecured and is due in July, 2000. Interest is computed at 7.0%.

Interest expense amounted to $450,976 and $464,718 for the years ended June 30, 1998 and 1997, respectively.

The combined aggregate amount of maturities for all long-term borrowing is as follows:

June 30, 1999	$ 155,611
2000	87,173
2001	3,594,035
2002	101,434
2003	3,067,287

Note 6: NOTE PAYABLE - BANK

The Company entered into a line of credit agreement with a local bank. The agreement extends the Company and a related party an unsecured revolving line of credit for $30,000,000, which expires in September, 2000. The related entity is limited to $3,000,000. Interest is computed at the prime rate plus a 1/2% point or the libor rate. This loan is guaranteed by the shareholders of the parent company. In addition, the bank holds collateral assignments on Company owned life insurance policies. At June 30, 1998, the balance due on this line of credit is $25,000,000, of which the Company owes $22,000,000 and the related entity $3,000,000. The Company also has outstanding letters of credit totalling $4,505,000 which are considered as drawn against this line of credit.

Note 7: ACCOUNTS PAYABLE

	1998	1997
Subcontract Payables:		
Currently due	$29,950,210	$15,172,302
Retained	7,703,944	4,616,469
Trade payables	20,113,181	12,871,627
	$57,767,335	$32,660,398

Note 8: EQUITY IN UNCONSOLIDATED NONCONSTRUCTION JOINT VENTURES

The Company has a 60% interest in a partnership, Harbor Cruises, LLC with three other partners. The venture provides water transportation services, which include cruises and charters, as well as contractual services with governmental agencies.

The Company has a 40% interest in Paul Revere Transportation, LLC with three other partners. The venture provides contract and charter bus service transportation. The venture also maintains various contracts with government agencies.

The Company has a 25% interest in a partnership, MCE-MCC, LLC with Modern Continental Enterprises, Inc. (75%). This entity owns an office building at 600 Memorial Drive, Cambridge, Massachusetts which it leases, as detailed in Note 4, to the Company, as well as to other non-related tenants.

Summary information on these ventures is as follows:

	Equity in Net Assets	
	1998	1997
Harbor Cruises, LLC	$ 3,262,232	$ 3,142,657
Paul Revere Transportation, LLC	2,219,887	1,566,968
MCE-MCC, LLC	5,875,508	5,319,753
	$11,357,627	$10,029,378

Note 9: EQUITY IN UNCONSOLIDATED CONSTRUCTION JOINT VENTURES

The Company has a 51% interest in a partnership with Obayashi Corporation (49%) to construct the eastern portion of the Third Harbor Tunnel. The contract is with the Massachusetts Highway/Central Artery Tunnel Authority and was for approximately $321,000,000. This contract was complete at June 30, 1998.

The Company has a 50% interest in a partnership with Obayashi Corporation (50%). The Partnership was formed to construct a portion of the Metrowest Tunnel, a project for the Massachusetts Water Resource Authority. The contract is for $144,500,000 and was 22% complete at June 30, 1998.

The Company has formed a partnership with Obayashi Corporation to enter into contracts for the construction of the Central Artery Tunnel Project (CA/T) in the city of Boston. The venture has been awarded three contracts as follows:

	Contract Name	Original Contract Value and Change Orders	Percent Complete
C17A2	State to North Street	$166,652,000	67%
58CN02	Superstation	104,829,000	71
C17A9	Aquarium Station	339,754,000	36

The Company has a 60% interest and Obayashi Corporation has a 40% interest in the State to North Street and Superstation contracts. On the Aquarium Station contract, Obayashi Corporation was guaranteed 49% of the June 30, 1998 estimated gross profit and the Company was allocated 51%.

The Company has a 35% interest in a partnership with S. A. Healy Company (65%) to construct the inter-island outfall tunnel from Nut Island to Deer Island. The contract is with the Massachusetts Water Resources Authority and is for approximately $161,000,000. As of June 30, 1998, the project was substantially complete.

Note 9: EQUITY IN UNCONSOLIDATED CONSTRUCTION JOINT VENTURES - Continued

Summary information on these ventures is as follows:

Venture	Equity in Net Assets 1998	Equity in Net Assets 1997
CA/T projects	$ 7,309,132	$(7,565,218)
Inter-island outfall tunnel	3,876,158	1,879,486
Metrowest tunnel	3,095,303	135,972
Boston Third Harbor Tunnel	174,421	990,019
Equity in unconsolidated construction joint ventures	14,455,014	10,570,695
Less: Reserve of allocable share of earnings on the inter-island outfall tunnel	-	(466,755)
	$14,455,014	$ 10,123,940

The consolidated statements of operations for the year ending June 30, 1998 and 1997, respectively, include the following amounts from consolidated joint ventures:

For the Year Ended June 30, 1998:

Project	Revenue	Gross Profit (Loss)	Other Income (Expenses)
CA/T projects	$134,257,346	$ 15,894,493	$(401,967)
Boston Third Harbor tunnel	214,461	(11,135)	(984)
Metrowest Tunnel	16,131,103	2,810,118	99,122
	$150,602,910	$ 18,693,476	$(303,829)

Note 9: EQUITY IN UNCONSOLIDATED CONSTRUCTION JOINT VENTURES - Continued

For the Year Ended June 30, 1997:

Project	Revenue	Gross Profit (Loss)	Other Income (Expenses)
CA/T projects	$ 117,050,480	$ 12,001,824	$(142,965)
Boston Third Harbor Tunnel	(586,435)	(1,684,702)	227,857
North Station garage	274,696	(172,074)	(8,742)
	$ 116,738,741	$ 10,145,048	$ 76,150

Income from unconsolidated joint ventures for the year ended June 30, 1998 and 1997, respectively, includes the following amounts:

	1998	1997
Paul Revere Transportation, LLC	$ 852,919	$ 553,383
Harbor Cruises, LLC	119,575	599,225
Inter-island outfall tunnel	875,000	-
Cambridge office building	9,423	(42,502)
	$1,856,917	$ 1,110,106

Note 10: INCOME TAXES

Income tax expense for the years ended June 30, 1998 and 1997 consists of:

	1998		1997	
	Federal	State	Federal	State
Currently payable	$ 5,049,659	$ 2,228,750	$3,569,888	$1,245,130
Deferred (benefit)	(1,244,600)	(745,500)	204,800	63,200
	$ 3,805,059	$ 1,483,250	$3,774,688	$1,308,330

Note 10: INCOME TAXES - Continued

The significant components of deferred income tax expense (benefit) for the years ended June 30, 1998 and 1997 are as follows:

	1998	1997
Joint ventures	$ 753,900	$(1,572,000)
Deferred gain on sale of property	587,600	-
Basis adjustment of joint venture	(300)	-
Deferred compensation	(194,700)	(175,000)
Deferred gross profit on jobs	(740,700)	909,000
Accelerated depreciation	(1,155,900)	1,106,000
Other deferred revenue	(1,240,000)	-
	$(1,990,100)	$ 268,000

The net deferred tax liability in the accompanying consolidated balance sheets include the following amounts of deferred tax assets and liabilities:

Deferred tax asset - current	$(553,600)	$ -
Deferred tax liability - current	-	368,900
Deferred tax liability - long-term	1,638,500	2,706,100
	$ 1,084,900	$ 3,075,000

The valuation reserve for the deferred tax assets is $-0- for the year ended June 30, 1998.

The tax effects of principal temporary differences are shown in the following table:

Accelerated depreciation	$ 1,173,100	$ 2,329,000
Joint ventures	349,900	(404,000)
Other deferred	(640,000)	600,000
Deferred gain on sale of property	1,169,600	582,000
Deferred gross profit on jobs	169,300	910,000
Basis adjustment on joint venture	(193,300)	(193,000)
Deferred compensation	(943,700)	(749,000)
	$ 1,084,900	$ 3,075,000

Note 11: EMPLOYEES' BENEFIT PLANS

The Company maintains a qualified profit-sharing plan for the benefit of all non-union, full-time employees. The annual contribution is at the discretion of the Board of Directors. The contributions for the years ended June 30, 1998 and 1997 were $1,192,637 and $791,495, respectively.

The Company also maintains a 401K plan for the benefit of all non-union, full-time employees. The Company does not match funds in this plan.

The Company participates with other companies in making collectively bargained contributions to a pension fund covering most of its union employees. The Multi-Employer Pension Plan Amendments Act of 1980 amended ERISA to establish funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans. Separate actuarial calculations of the Company's position are not available with respect to the multi-employer plans.

The Company maintains an incentive compensation plan that is a non-qualified plan in accordance with the Internal Revenue Code.

Under the plan, incentive compensation is determined as a percentage of the final contract gross profit that exceeds the original estimated contract gross profit. This compensation is generally not paid until the contract is completed.

Note 12: DISCLOSURE OF SIGNIFICANT RISKS AND UNCERTAINTIES

Disclosure of Significant Estimates - Revenue Recognition:

As outlined in the Summary of Significant Accounting Policies, the Company's construction revenue is recognized on the percentage-of-completion basis. Consequently, construction revenue and gross margin for each reporting period is determined on a contract by contract basis by reference to estimates by the Company's engineers of expected costs to be incurred to complete each project. These estimates include provisions for known and anticipated cost overruns, if any exist, or are expected to occur. These estimates may be subject to revision in the normal course of business.

Disclosure of Significant Estimates - Litigation:

The Company has been named as defendants in legal proceedings wherein damages are claimed. Such proceedings are not uncommon in the Company's business and usually involve claims against multiple defendants who were involved in the project which is the subject of the proceeding. Historically, the Company has been successful in defending such actions or have settled them within insured limits.

Concentrations:

The Company maintains the majority of cash balances with one financial institution. The Company does maintain cash balances that exceed the Federal Deposit Insurance Company limit.

Substantially all of the Company's labor force is subject to collective bargaining agreements. Certain collective bargaining agreements covering the Company's labor force will expire during the next two years.

The Company operates principally in a single industry encompassing the construction of infrastructure assets. 99% of the Company's revenue was derived from Massachusetts governmental agencies, of which approximately 76% was derived from the Massachusetts Central Artery Tunnel (CA/T) project.

Note 13: OBLIGATIONS UNDER OPERATING LEASES

The Company has entered into several operating leases for office facilities. The lease terms are generally for five years and contain various provisions for sharing common cost and escalations.

The Company conducts its main operations from facilities that are leased from related parties as detailed in Note 3.

The Company has also entered into operating leases for motor vehicles and trucks.

The future minimum lease payments on the above leases are as follows:

June 30, 1999	$2,387,685
2000	1,733,064
2001	963,125
2002	321,265
2003	39,999

Note 14: COMMITMENTS

At June 30, 1998, the Company has guaranteed installment notes payable of approximately $24,684,000 for its related parties.

The Company's parent has entered into an employment and a stock redemption agreement with an officer/shareholder of the parent company. The stock redemption agreement calls for the Company to redeem the stock upon death of the shareholder and maintain life insurance on the shareholder's life for an equivalent amount.

The Company has pledged cash totalling $700,000 as collateral for a note payable of its principal shareholder.

AGENDA ITEM
(CONTINUED FROM NOVEMBER 4, 1998)
Treasure Island Development Authority
City and County of San Francisco

Subject: Marina Developer Selection

Agenda Item No. 10
Meeting of November 18, 1998

Contact/Phone: Marianne Conarroe, Harbormaster
274-0660

SUMMARY OF PROPOSED ACTION

Staff request that the Authority authorize the Executive Director to commence exclusive negotiations with Treasure Island Enterprises to reach agreements for the development and leasing of the Treasure Island marina and certain marina-related activities, and that because time is of the essence, in the event that the Executive Director determines, within 90 days, that negotiations with Treasure Island Enterprises are not proceeding in a satisfactory manner, the Executive Director may recommend to the Authority that she be authorized, by resolution, to commence negotiations with Modern Continental, and that upon completion of all necessary negotiations and environmental reviews, the Executive Director will submit to the Authority for its approval a substantially final form of any such Agreements.

EXECUTIVE SUMMARY

Three development teams, headed by Modern Continental, Treasure Island Enterprises, and Westrec Marinas respectively, submitted qualified responses to a Request for Proposals (RFP) for marina development issued by the Mayor's Treasure Island Project. These responses were evaluated by a Selection Committee that included representatives of the Treasure Island Project staff, City Attorney's Office, City Planning Department, the Port of San Francisco, CalTrans, and the recreational boating community. Based on its evaluation, the Selection Committee recommended that the Authority authorize staff to negotiate agreements for expansion of the Treasure Island marina with Treasure Island Enterprises. The Authority considered the staff recommendation at its November 4, 1998 meeting, deferred a decision to the meeting of November 18, 1998, and asked staff to obtain additional information. The additional information requested by the Authority included updated financial statements, more details of the Selection Committee's recommendation, a specific description of the public access proposed by each respondent, and the performance schedule proposed by each.

BACKGROUND

The current operation of the TI Marina is limited to the rental of 108 boat slips; and there are no amenities that would permit additional revenues from activities such as boat storage, fuel and

chandlery sales, or restaurant operations. Currently, the marina is not an attraction that substantially assists in drawing visitors to TI. The successful development of the Treasure Island (TI) marina, like development of other public assets, should further the City's goals of:

- Securing a development partner willing to invest along with the City in the future potential of Treasure Island for the benefit of the citizens of San Francisco

- Securing revenues from rent payments and business taxes to help support overall redevelopment of TI

- Creating a marina that is compatible with the anticipated overall development of TI

- Creating new job opportunities for San Francisco residents

- Creating business opportunities for MBE/WBE/LBEs

PROPOSAL EVALUATION

Evaluation Scoring System: The system for evaluating marina development proposals was outlined in the RFP. Specifically, each proposal's business plan was valued at up to 45 points, experience at up to 30 points, and financial qualifications at up to 25 points. Up to five to ten bonus points were to be awarded for MBE/WBE/LBE outreach. The numerical scoring process was created only to provide a way to compile and average each evaluator's assessment. Each evaluator made his/her own assessment in each category and assigned a numeric score to each proposal. Included within the scoring system were subcategories to help each evaluator arrive at a ranking. Under the Business Plan component, evaluators were asked to consider overall viability and appeal of the proposed concept, rental and other business terms offered, projected revenues to the City, the nature of the proposed improvements, the marketing strategy, and the implementation schedule and its viability. Under the Experience component, evaluators were asked to consider experience and reputation in the marina industry of each firm and its key personnel, business abilities as demonstrated by longevity of operations and revenues achieved. Under the Financial Qualifications component, evaluators were asked to consider each respondent's projections of initial capital, and operating costs, as well as the adequacy of the identified working capital.

BUSINESS PLAN EVALUATION (45 points)

Selection Committee Assessment	Cumulative (total of all scores)	Average Score
Modern Continental	133	33.25
Treasure Island Enterprises	153	38.25
Westrec Marinas	112	28.00

The Selection Committee awarded Treasure Island Enterprises' business plan the most points following the assessments summarized below.

The RFP states that the successful proposal would best meet the overall objectives of the City, and that while maximizing revenues is a major objective, financial return is not the sole selection criteria. An offer which proposes a higher return may not be as competitive as one which consistently matches the overall Base Reuse Plan, particularly in addressing the Plan's emphasis creating a public place focused on water oriented recreational activity that expands the public's opportunity to experience San Francisco Bay. Thus, the Committee's review of the proposals included evaluation of the overall viability and appeal of each. The Committee found that Treasure Island Enterprises' (TIE's) proposal most complemented the Reuse Plan because it consistently focused on marina development, offered the most substantial opportunities for public access to and enjoyment of the marina, and demonstrated maximum willingness to share revenues with the City. Additionally, TIE's proposal met the RFP's requirement for development proposals to be self-supporting. Modern Continental's proposal beyond Phase 3 requires a $10.6 million investment by the City.; and proposes that revenues from any MC lease be dedicated to debt service, not overall island development.

Lease Terms

For 10-year summary comparisons of revenue projections, please see Exhibit 1. For 15 year summary comparisons of net operating income projections, please see Exhibit 2. For summary comparisons of operating expenses in Year 2001, please see Exhibit 3. For summary comparisons of development costs, please see Exhibit 4. For summary comparisons of financing plans, please see Exhibit 5.

Modern Continental:

- Minimum 66-year term
- Rent payments of the higher of a percentage of gross revenues (to be negotiated) or a guaranteed annual minimum. Examples of percentage rent were identified as 15% of slip rental revenues, 10% of dry storage, and 1% of restaurant and marina uses

Treasure Island Enterprises:

- Minimum term of 25 years with four 10-year renewal options; minimum term of 15 years for restaurant complex
- Guaranteed minimum rent of $90,000 in Lease Year 1, $100,000 in Lease Years 2 and 3, and $100,000 plus CPI increase annually thereafter

- PLUS percentage revenues from:

  - boat sales (5% year)
  - chandlery (5% year)
  - restaurant (3.5% year)
  - lockers (5% year)
  - services (5% year)
  - laundry (5% year)
  - coin vending (25%)
  - dry storage (10% year)
  - nautical club (5% year)
  - shops (5% year))
  - slip rentals (5% year 1, 15% year 15)
  - end ties (5% year 1, 15% year 15)
  - guest boaters (5% year 1, 15% year 15)
  - sailing instruction (5% year 1, 15%year 15)
  - fuel (net sales) (5% year 1, 15% year 15)
  - misc. (10% year)

Westrec:

- Initial 15-year term with 3 15-year renewal options
- Annual rent based on minimum schedule and increased to a percentage of gross income with minimum rent calculated every 5 years at 75% of average effective percentage income of preceding three years or percentage rate equal to 20% of slip rentals, 10% of dry storage and 5% of fuel, retail sales and mooring fees
- Minimum rental for each of the first five years limited to percentage of actual income only

Proposed Improvements

Modern Continental Four-phase project to lease Clipper Cove and 12 acres of land for 66-year term:

Phase 1 $0.25 million investment, percentage rent to City from major revenue sources: Immediately operate existing 108 boat slips and invest $250,000 to reopen the "yacht club" and initiate a limited youth sailing program

Phase 2 $8 million investment, percentage rent to City from major revenue sources: Replace existing 108 berths and build 192 additional berths; renovate Building 180 to provide yacht club with showers, restrooms, meeting rooms, Harbormaster office, sailing school and covered dry boat storage; establish moorings in Clipper Cove and expand sailing school programs; develop landscaped promenade. The new marina will utilize a concrete dock system employing thin-wall lightweight concrete floats.

Phases 3 and 4 contingent upon City-financing a perimeter dyke along the southern portion of TI the causeway, estimated by MC to cost $10.6 million, and financed by City with debt service secured by MC's lease payments.

Phase 3 $8.25 million investment, percentage rent to City from major revenue sources: Construct 300 new berths and 3 restaurants, additional building and site improvements.

Phase 4 $37.65 million investment percentage rent to City from major revenue sources: Demolish Bldg. 180 to construct 300-room hotel/conference center, harbor support building and yacht club

Treasure Island Enterprises:Four-phase project to lease Clipper Cove and 12 acres of land for 65-year term:

Predevelopment Phase (2 years) $190,000 guaranteed base rent to City for years 1& 2 plus percentage rent to City from multiple sources: operate existing marina, plan improvements
Phase 1 $8.03 million investment $100,000 +CPI increase guaranteed base rent to City plus percentage rent to City from multiple sources: Replace existing 108 berths and build 292 additional berths for a total of 400 new berths; renovate Building 180 and construct new marina support facilities. The slips will feature a unique crescent configuration providing more slips with views of the City, the East Bay, and picturesque Clipper Cove. Other improvements will include a curving public pier on an axis with Avenue C providing around-the-clock public access to the water, a floating breakwater, a shoreline esplanade of palm trees and landscaped pathways; and parking for up to 240 cars (0.6 parking spaces per boat slip). The dock system, to be built by Bellingham Marine, will be flexible with a projected life of 30 years that would accommodate a wide variety of boats with a special emphasis on vessels 60' or more in length. A public guest dock and public pier would be located in the middle of the marina to serve both visiting boaters and provide public access to the water. Public amenities also would include a shoreside esplanade adding featuring palm trees, landscaped open space that facilities the view corridors anticipated in the Reuse Plan. Retail amenities would include an all-purpose marina complex with food service, chandlery, and retail marine, including a fuel dock.

Phase 2 $4.13 million investment $100,000 +CPI increase guaranteed base rent to City plus percentage rent to City from multiple sources: replace Building 180, and provide additional new public open space

Westrec Marinas: Phased development:

Phase 1 $6.32 million investment percentage rent to City from multiple sources: operate existing slips, build 224 new slips and landside improvements including dry boat storage facilities, marina support facilities (restrooms, retail, and yacht club), construct public promenade
Phase 2 $6.58 million investment rent to City equal to higher of minimum rent calculated every five years and equal to 75% of effective percentage income averaged over previous 3 years or percentage rent from multiple sources: replace existing marina with 198 new slips, upgrade utilities and marina improvement

Public Amenities:

Modern Continental: Sailing programs, restaurants. shoreline esplanade

Treasure Island Enterprises: **Public Pier** available to strollers and sightseers with side-tie berths for visitors and day users with easy access from the boat launch; **Shoreline Esplanade**

of palm trees, paths and landscaping that will also offer service access to waterside unloading for boaters; **Extensive Landscaping** to frame vitas and screen service and parking areas, site amenities will include benches, banners, and lighting; **Nautical Center** location for public programs

Westrec: **Promenade** pedestrian friendly

Public Investment Required:

Modern Continental: Seismic stabilization of perimeter dyke along southern portion of TI and causeway. Estimated cost of $10.6 million; MC suggests a loan from the State's Department of Boating and Waterways

Treasure Island Enterprises: Not identified

Westrec: City responsible for delivering environmentally clean site, dredge water area to minimal acceptable standard, and repair where necessary to the waters edge. Estimated cost of $700,000 - $1.5 million.

Job Creation

Modern Continental: Construction: not provided Operations: marina 10 FTE jobs, restaurants 22-25 FTE jobs, hotel/conference center 190-200 FTE jobs

Treasure Island Enterprises: Construction period: 135 jobs, Operations: 17-21 jobs

Westrec: Construction not provided Operations: 12 jobs..

Outreach to MBEs/WBEs/LBEs

Modern Continental: Modern Continental commits to engage in affirmative efforts to utilize economically disadvantaged-, minority-, and women-owned businesses and to work with these businesses to provide the maximum possible opportunity to compete for and participate in subcontract agreements and contracts. MC will voluntarily engage in good faith efforts to provide MBEs with 30% and WBEs with 10% of subconsultant opportunities

Treasure Island Enterprise: TIE submitted a Preliminary Affirmative Action Plan.
It is the policy of TIE to ensure full and equitable opportunities for minority-owned, woman-owned and economically disadvantaged locally owned business enterprises to participate in all of TIE's employment opportunities TIE will make good faith efforts to obtain the participation of minority, woman and economically disadvantaged business enterprises to produce a level of participation sufficient to meet the goals of the San Francisco Human Rights Commission. Good faith efforts shall include: 1) encouraging MBE/WBE/LBEs to attend pre-bid meetings to inform potential contractors of contracting opportunities; 2) advertising contract and job opportunities in general circulation media, trade association

publications and minority/women business focused media; 3) soliciting the interest of MBE/WBE/LBEs who are available to perform the work contemplated in a contract; 4) dividing contract work into economically feasible units to facilitate MBE/WBE/LBE participation in contract opportunities; 5) pursuing solicitations of interest of contracting MB E/WBE/LBEs to determine whether these businesses are interested in participating in contract opportunities; 6) providing MBE/WBE/LBEs with adequate information about the plan, specifications, and requirements of contract opportunities; 7) where applicable negotiating with MBE/WBE/LBEs in good faith and demonstrating that MBE/WBE/LBEs were not rejected as unqualified without sound reasons based on a thorough investigation of their capabilities; 8) using the services of available community and contractor's groups, local, State, or Federal minority and woman business assistance officers that provide assistance in the recruitment of MBE/WBE/LBEs; 9) identifying and selecting specific items of the project for which contract opportunities will be awarded to MBE/WBE/LBE businesses to provide an opportunity for participation; 10) following up on initial inquiries of interest from MBE/WBE/LBEs by contacting them to determine with certainty whether their enterprises were interested in performing specific contract opportunities; 11) requesting assistance from minority and woman community organizations; minority and women contract or professional groups; local. State and Federal minority and women business assistance offices; or other organizations that provide assistance in the recruitment and placement of MBE/WBE/LBEs; 12) where feasible and practicable, advising and making efforts to assist MBE/WBE/LBEs in obtaining bonds, lines of credit or insurance required by the City or TIE; 13) developing a "prompt-payment" policy requiring that MBE/WBE/LBEs be paid within 30 days of the date on which TIE receives an invoice for work performed, unless a bona fide dispute exists; 14) maintaining records necessary for monitoring compliance with affirmative action goals; 15) include a provision in any contract with an MBE/WBE/LBE which provides them with a remedy for noncompliance with the commitment to utilize MBE/WBE/LBE contractors which shall be enforceable in a court of competent jurisdiction; and 16) including a contract provision that provides whenever a contract amendment or change order is made which cumulatively increases the total dollar value of the construction contract by more than 10%, the developer shall comply with MBE/WBE/LBE provisions set forth in the contract.

Westrec: Westrec will engage in positive efforts to use economically-disadvantaged, minority, and women-owned businesses and allow these businesses maximum feasible opportunity to compete for sub-agreements and contracts related to the design, construction, and operations of the Marina. Westrec will voluntarily engage in good faith efforts to provide MBEs with 30% and WBEs with 10% of Treasure Island Marina development and operational activities.

Berthing & Marina-Related Fees

	Berths	Dry Storage Covered	Dry Storage Outside	Moorings
Modern Continental				
Phase 1	$8.17 linear ft/month	$150/month	$75/month	$15/day
Phase 2	$8.17 linear ft/month	$150/month	$75/month	$15/day
Phase 3	$8.17 linear ft/month	$150/month	$75/month	$15/day
Phase 4	$8.17 linear ft/month	not stated	$75/month	$15/day
TIE	$7/linear ft /month avg	$210/month		
WESTREC		$125/mo.avg (range $100-$150)	$80/mo. avg (range $100-$150)	$25/night
Initial	$4/linear ft/month			
Phase 1	$8.90 linear ft/month average (range $8-$12			
Phase 2	$8.10 linear ft/month average (range $7-$12			

Development Schedule

<u>**Modern Continental**</u>: **Phase 1**: Design (3 months) & Renovate existing marina (4 months); reopen yacht club at end of renovation period
Phase 2 Design (9 months) & entitlements (9 months); Construction (10 months including expansion to 600 berths, renovate Bldg. 180, construct 3 restaurants, and landscaped promenade)

<u>**Treasure Island Enterprises**</u>: **Phase 1** Design & entitlements (12 months); construction (12 months including phase 1 marina, dry boat storage, marina facilities, esplanade)
Phase 2 Construction (11 months including old dock removal and phase 2 marina)

<u>**Westrec**</u>: Process/entitlement/design (12 months); Phase I construction, phase 1 marina, dry boat storage, marina facilities, esplanade (12 months); Absorption Phase 1 (5 months); Construction Phase II, old dock removal, phase 2 marina (12 months), Absorption Phase 2 (12 months)

Marketing Strategy

<u>**Modern Continental**</u>: Not provided

<u>**Treasure Island Enterprises**</u>: Contract with Delaware North Company to assist in marketing marina and to advise on food and beverage operations. Almar Marinas will offer tenants discounted uses at other Almar marinas. Marketing strategy will include use of boating-related media, special events, direct mail, Internet marketing and group sales.

Westrec: Same marketing strategy employed at other marinas including Value Added and Westrec Club programs

OPERATOR EXPERIENCE EVALUATION (30 points)

Selection Committee Assessment	Cumulative (total of all scores)	Average Score
Modern Continental	102	25.25
Treasure Island Enterprises	95	23.75
Westrec Marinas	85	21.25

The Selection Committee awarded the most points for Operator Experience to Modern Continental following the assessments summarized below.

Modern Continental: Will draw upon its own in house construction, marina development and operations, real estate development and management expertise. Development team includes:

Overall Project Direction: Executive Committee led by Lelio Marino, MC's CEO and other MC senior executives
Project manager: Redmond Kernan
Engineering: Moffat & Nichols Engineers
Planning/Architecture: Babcock Design Studios
Financial Advisor: Williams-Kuebelbeck & Associates
Legal Advisor: Thelen Marrin Johnson & Bridges
Construction: Coast Geo Constructors Inc & E.H. Johnson Construction Co. Inc.

Treasure Island Enterprises: TIE was formed solely to lease, develop, and manage the TI marina. Development team includes:

Overall Project Direction: Ronald Burkle, managing member of Yucapia Companies, a Delaware limited liability corporation that is the controlling stockholder of major grocery chains
Marina Construction and Operations: Almar Ltd, a California corporation devoted exclusively to developing and managing waterfront marinas:
Day-to-Day Coordination and Liaison with City: Darius Anderson former director of government and community affairs for Alpha Beta Markets, a Yucaipa company
Lead Design: Kwan Henmi Architecture Planning Inc, certified by the San Francisco Human Rights Commission (HRC) as a MBE/WBE/LBE, has specialized experience in marina design:

Prime Cost Estimator for landside developments: Don Todd Associates Inc, certified by HRC as a MBE/LBE, has extensive experience in cost estimating services for water related projects
Structural Engineer for landside developments: F.E. Jordan, certified by HRC as a MBE/LBE, has extensive structural engineering experience
Civil Engineer for landside developments: Olivia Chen & Associates, certified by HRC as a MBE/WBE/LBE, has extensive civil engineering
Electrical Engineer for landside developments: Cerbatos & Associates, certified by HRC as a MBE/LBE, was a member of the team that prepared the TI Reuse Plan for the City
Electrical Engineering Services for landside developments: F.W. Associates, certified by HRC as a MBE/LBE
Landscape Architect for landside developments: Stevens & Associates, certified by HRC as a MBE/LBE
Graphic Communications: Keilani Tom & Associates, certified by HRC as a WBE/LBE
Prime Waterside Engineer: Moffat & Nichols Engineers, was a member of the team that prepared the TI Reuse Plan for the City
Prime Geotechnical Consultant: Treadwell & Rollo, was a member of the team that prepared the TI Reuse Plan for the City
Prime Pier and Dock Design, Engineering & Constructing Company: Bellingham Marine
Construction Manager: Concept Marine Associates Inc.
Security Consulting: Cypress Security
Marketing & Food & Beverage Consulting: Delaware North Company
Definition of Core Programming and Marketing Strategies: Dream Street Entertainment

Westrec: Self described as the largest owner developer and operator of marinas in nation, Westrec will use its own management team. Development team includes:

Engineering & Design: Moffat & Nichols
Planning & Design: Jack Camp group
Urban Development & Planning: Michael Kaplan
Economic Benefits: Kosmont & Associates
Environmental Consultants: PCR
Marketing: Donald Jesberg
Landscape Architects: SWA Associates
Architect: Hansen/Muakama/Exhima

FINANCIAL QUALIFICATIONS (25 points)

Selection Committee Assessment	Cumulative (total of all scores)	Average Score
Modern Continental	85	21.25
Treasure Island Enterprises	93	23.25
Westrec Marinas	64	16.00

Larry Brown of the Port of San Francisco, the Sedway Group, and the Selection Committee each evaluated the financial condition of each respondent. The Brown and Sedway reports are attached as Exhibit 6. The Selection Committee awarded Treasure Island Enterprises the most points for financial qualifications following the assessments summarized below:

Modern Continental Companies, Inc. (MC): MC is a Massachusetts corporation specializing in heavy civil construction, development of commercial and residential properties, and an operator of passenger and commuter boats. It is a holding company and parent firm for the operations conducted by various Modern Continental operating entities. MC submitted audited financial statements for the fiscal years ending June 30, 1998 and June 1997 as well as an Independent Auditor's Report issued September 22, 1998. MC's consolidated balance sheets showed total assets of $116,048,163 in 1997 and $192,077,074 in 1998, a difference of $76,028,911 a 66% increase that encompassed a 76% increase in current assets, a 57% increase in other investments, a 51% decrease in property and equipment and a 67% decrease in other assets. MC's consolidated balance sheets showed total liabilities of $116,048,163 in 1997 and $192,077,074 in 1998, a difference of $76,028,911 a 66% increase that encompassed a 40% increase in current liabilities, a 134% increase in long term liabilities, and a 67% increase in other assets.

Treasure Island Enterprises (TIE): TIE a California limited liability corporation is a joint venture of The Yucapia Companies and Almar Ltd. that was formed to lease, develop, and manage the TI Marina. Yucapia is a privately held investor that is currently the majority stockholder of three grocery companies: Ralph's, Dominick's Finer Foods, and Fred Meyer. Yucaipa's ownership stake in Dominick's and Fred Meyer is valued at about $1.1 billion. Almar is a privately held marina operator, made up of single purpose (marina operations) companies. Almar had substantial negative equity for the last two years due to sizable partner withdrawals (double their accumulated capital contributions and net income). At least one of Almar's marina entities has experienced substantial losses that resulted in the reorganization and forgiveness of debt held by Aetna Life in 1995. The Yucaipa Companies, as the managing member of IE, will post a construction guarantee to assure successful project construction.

Westrec Marinas: Westrec Marinas is a subsidiary of Westrec Financial Inc.. a privately held company that states it has no audited financials. Audited financials for Westrec for the year ending December 31, 1996 were provided. These state that as of December 31, 1996, Westrec was not in compliance with certain of its financial covenants, and that although the

lender waived these requirements as of December 31, 1996, there was no assurance that the Lender would waive any future violations. Westrec's notes payable and the note payable for which Westrec is jointly and severably liable are due on demand, and if the lender were to exercise its rights under the terms of the agreement, Westrec may not be able to comply with the demands. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of Westrec to continue as a going concern.

ATTACHMENTS

Exhibit 1: 10-year summary comparisons of revenue projections
Exhibit 2: 15 year summary comparisons of net operating income projections
Exhibit 3: Summary comparisons of operating expenses in Year 2001
Exhibit 4: Summary comparisons of development costs
Exhibit 5: Summary comparisons of financing plans
Exhibit 6: Reports by Larry Brown (Port of San Francisco) and the Sedway Group
Exhibit 7: Comparison of Bay Area Marina Berth Rates

Exhibit 1 page 1
10-year Summary Comparison of Revenue Projection

	YEAR 1					
	MC		TIE- 400 SLIPS		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		5%	17,875	20%	
Dry boat storage	10%		10%	12,096	10%	
Moorings	10%			0	5%	
Marina store	1%		5%		5%	
Liveaboard /1/			5%	1,800		
End ties			5%	358		
Guest boaters			5%	1,788		
Boat sales			5%	2,763	5%	
Chandlery			5%	360	5%	
Deli			3.5%	3,675	5%	
Nautical Club			5%	900		
Laundry			5%	120		
Coin Vending			25%	300		
Sailing Instruction			5%	30		
Fuel (net)				600	5%	
Lockers			5%	60		
Services			5%	907		
Shops			5%	1,500	5%	
Other			10%	600		
Subtotal % Rent		0		45,732		12,000
Additional Rent						
Guranteed base				90,000		
TOTAL		0		135,732		12,000

	YEAR 2					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		5%	35,910	20%	
Dry boat storage	10%		10%	24,192	10%	
Moorings	10%				5%	
Marina store	1%		5%		5%	
Liveaboard /1/			5%	2,700		
End ties			5%	718		
Guest boaters			5%	3,591		
Boat sales			5%	2,763	5%	
Chandlery			5%	360	5%	
Deli			3.5%	3,675	5%	
Nautical Club			5%	900		
Laundry			5%	120		
Coin Vending			25%	300		
Sailing Instruction			5%	60		
Fuel (net)				1,200	5%	
Lockers			5%	60		
Services			5%	1,814		
Shops			5%	1,500	5%	
Other			10%	600		
Subtotal % Rent		0		80,463		207,325
Additional Rent						
Guranteed base				100,000		
TOTAL		0		180,463		207,325

	YEAR 3					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		5%	46,284	20%	
Dry boat storage	10%		10%	36,288	10%	
Moorings	10%			0	5%	
Marina store	1%		5%		5%	
Liveaboard /1/			5%	3,150		
End ties			5%	926		
Guest boaters			5%	4,628		
Boat sales			5%	2,901	5%	
Chandlery			5%	378	5%	
Deli			3.5%	3,859	5%	
Nautical Club			5%	945		
Laundry			5%	126		
Coin Vending			25%	315		
Sailing Instruction			5%	90		
Fuel (net)				1,800	5%	
Lockers			5%	60		
Services			5%	2,722		
Shops			5%	1,575	5%	
Other			10%	600		
Subtotal % Rent		224,000		106,647		404,980
Additional Rent						
Guranteed base				102,000		
TOTAL		224,000		208,647		404,980

	YEAR 4					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		10%	114,912	20%	
Dry boat storage	10%		10%	36,288	10%	
Moorings	10%			0	5%	
Marina store	1%		5%		5%	
Liveaboard /1/			10%	7,200		
End ties			10%	2,298		
Guest boaters			10%	11,491		
Boat sales			5%	2,901	5%	
Chandlery			5%	378	5%	
Deli			3.5%	3,859	5%	
Nautical Club			5%	945		
Laundry			5%	126		
Coin Vending			25%	315		
Sailing Instruction			5%	120		
Fuel (net)				1,800	5%	
Lockers			5%	60		
Services			5%	2,722		
Shops			5%	1,575	5%	
Other			10%	600		
Subtotal % Rent		304,000		187,590		463,900
Additional Rent						
Guranteed base				104,040		
TOTAL		304,000		291,630		463,900

Exhibit 1 Page 3
10-year Summary Comparison of Revenue Projection

	YEAR 5					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		10%	120,658	20%	
Dry boat storage	10%		10%	38,102	10%	
Moorings	10%			0	5%	
Marina store	1%		5%		5%	
Liveaboard /1/			10%	7,200		
End ties			10%	2,413		
Guest boaters			10%	12,066		
Boat sales			5%	3,046	5%	
Chandlery			5%	397	5%	
Deli			3.5%	4,052	5%	
Nautical Club			5%	992		
Laundry			5%	132		
Coin Vending			25%	331		
Sailing Instruction			5%	126		
Fuel (net)				1,890	5%	
Lockers			5%	60		
Services			5%	2,858		
Shops			5%	1,654	5%	
Other			10%	600		
Subtotal % Rent		350,000		196,577		463,900
Additional Rent						
Guranteed base				106,121		
TOTAL		350,000		302,698		463,900

	YEAR 6					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	180,986	20%	
Dry boat storage	10%		10%	38,102	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	3,620		
Guest boaters			15%	18,099		
Boat sales			5%	3,046		
Chandlery			5%	397		
Deli			3.5%	4,052	5%	
Nautical Club			5%	992		
Laundry			5%	132		
Coin Vending			25%	331		
Sailing Instruction			5%	126		
Fuel (net)				1,890	5%	
Lockers			5%	60		
Services			5%	2,858		
Shops			5%	1,654	5%	
Other			10%	600		
Subtotal % Rent		360,000		267,745		504,000
Additional Rent						
Guranteed base				108,243		
TOTAL		360,000		375,988		504,000

10-year Summary Comparison of Revenue Projection

	YEAR 7					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	190,836	20%	
Dry boat storage	10%		10%	40,008	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	3,817		
Guest boaters			15%	19,084		
Boat sales			5%	3,107		
Chandlery			5%	405		
Deli			3.5%	4,133	5%	
Nautical Club			5%	1,012		
Laundry			5%	135		
Coin Vending			25%	337		
Sailing Instruction			5%	132		
Fuel (net)				1,985	5%	
Lockers			5%	60		
Services			5%	3,001		
Shops			5%	1,687	5%	
Other			10%	600		
Subtotal % Rent		371,000		281,139		504,000
Additional Rent						
Guranteed base				110,408		
TOTAL		371,000		391,547		504,000

	YEAR 8					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	190,836	20%	
Dry boat storage	10%		10%	40,008	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	3,817		
Guest boaters			15%	19,084		
Boat sales			5%	3,169		
Chandlery			5%	413		
Deli			3.5%	4,215	5%	
Nautical Club			5%	1,032		
Laundry			5%	138		
Coin Vending			25%	344		
Sailing Instruction			5%	132		
Fuel (net)				1,985	5%	
Lockers			5%	60		
Services			5%	3,001		
Shops			5%	1,721	5%	
Other			10%	600		
Subtotal % Rent		382,000		281,355		504,000
Additional Rent						
Guranteed base				112,616		
TOTAL		382,000		393,971		504,000

10-year Summary Comparison of Revenue Projection

	YEAR 9					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	200,686	20%	
Dry boat storage	10%		10%	42,008	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	4,014		
Guest boaters			15%	20,068		
Boat sales			5%	3,232		
Chandlery			5%	421		
Deli			3.5%	4,300	5%	
Nautical Club			5%	1,053		
Laundry			5%	140		
Coin Vending			25%	351		
Sailing Instruction			5%	139		
Fuel (net)				2,083	5%	
Lockers			5%	60		
Services			5%	3,151		
Shops			5%	1,755	5%	
Other			10%	600		
Subtotal % Rent		394,000		294,861		550,000
Additional Rent						
Guranteed base				114,869		
TOTAL		394,000		409,730		550,000

	YEAR 10					
	MC		TIE		W	
	Percent	$ Estimate	Percent	$ Estimate	Percent	$ Estimate
Boat Berths	15%		15%	200,686	20%	
Dry boat storage	10%		10%	42,008	10%	
Moorings	10%			0	5%	
Marina store	1%		5%			
Liveaboard /1/			15%	10,800		
End ties			15%	4,014		
Guest boaters			15%	20,068		
Boat sales			5%	3,297		
Chandlery			5%	430		
Deli			3.5%	4,386	5%	
Nautical Club			5%	1,074		
Laundry			5%	143		
Coin Vending			25%	358		
Sailing Instruction			5%	139		
Fuel (net)				2,083	5%	
Lockers			5%	60		
Services			5%	3,151		
Shops			5%	1,790	5%	
Other			10%	600		
Subtotal % Rent		405,000		295,087		550,000
Additional Rent						
Guranteed base				117,166		
TOTAL		405,000		412,253		550,000

			Exhibit 2			
			15- Year Summary Comparisons of Revenue Projections			
	Modern Continental		TI Enterprises		WESTREC	
	600 Slips	per slip	400 slips	per slip	400 slips	per slip
INCOME						
Net Operating Income 15-yr total	34,705,000	57,842	17,522,243	43,806	13,539,250	33,848
(before rent payment to City)						
Year 1	0	0	478,018	1,195	0	0
Year 2	0	0	813,004	2,033	15,420	39
Year 3	1,565,000	2,608	1,047,963	2,620	260,380	651
Year 4	2,118,000	3,530	1,133,325	2,833	742,820	1,857
Year 5	2,422,000	4,037	1,187,849	2,970	937,730	2,344
Year 6	2,495,000	4,158	1,116,681	2,792	1,058,400	2,646
Year 7	2,570,000	4,283	1,169,163	2,923	1,024,400	2,561
Year 8	2,647,000	4,412	1,172,099	2,930	990,400	2,476
Year 9	2,726,000	4,543	1,225,376	3,063	1,129,700	2,824
Year 10	2,808,000	4,680	1,228,433	3,071	1,095,700	2,739
Year 11	2,892,000	4,820	1,278,144	3,195	1,177,900	2,945
Year 12	2,979,000	4,965	1,303,750	3,259	1,249,200	3,123
Year 13	3,068,000	5,113	1,329,866	3,325	1,230,200	3,076
Year 14	3,160,000	5,267	1,356,506	3,391	1,213,200	3,033
Year 15	3,255,000	5,425	1,682,066	4,205	1,413,800	3,535

			Exhibit 3			
			Summary Comparisons of			
			Operating Expenses in year 2001			
	Modern Continental		TI Enterprises		WESTREC	
	600 Slips	per slip	400 slips	per slip	400 slips	per slip
OPERATING EXPENSES						
Year 2001TOTAL	**$689,000**	**$1,148**	**$743,015**	**$1,858**	**$698,000**	**$1,745**
Salaries & Fringe	387,000	645	296,100			
Management			191,623		81,000	203
Utilities	118,000	197	33,666	84	96,000	240
Insurance			30,896		43,000	
General & Administrative	64,000	107	104,173	260	200,000	500
Maintenance & repair	19,000	32	32,472	81	99,000	248
Other	11,000	18	15,417	39	48,000	
Property taxes	90,000	150	38,668	97	120,000	300

Exhibit 4
Summary Comparisons of Development Costs

	Modern Continental		TI Enterprises		WESTREC	
	600 Slips	per slip	400 slips	per slip	400 slips	per slip
DEVELOPMENT COSTS						
Initial Capital Expenditures	250,000	417	na			
Berths & moorings	7,200,000	12,000	6,892,800	17,232	5,783,000	14,458
Building & Site improvements	500,000	833	4,813,216	12,033	955,562	
Dry storage			427,200	1,068		
Breakwater/fuel dock			1,645,440	4,114		
Bldg 180 Improvements			722,880	1,807		
Demolition/site utilities/Drainage			288,000	720		
Gates Gangways & Piers			504,960	1,262		
Public Viewing Dock			447,936	1,120		
Mega-Yacht Dock			584,800	1,462		
Landscaping & walks			192,000	480		
Contingency			506,177	1,265	541,243	1,353
Archtecture/engineering/ConMgt			655,730	1,639	1,014,831	2,537
Development Fee					338,277	846
Start-up Costs	250,000	417				
Total Marina Capitalized Costs	**8,200,000**	**13,667**	**12,867,923**	**32,170**	**8,632,913**	**21,582**

Exhibit 5

Summary Comparisons of Financing Plans

	Modern Continental		TI Enterprises		WESTREC	
	600 Slips	per slip	400 slips	per slip	400 slips	per slip
FINANCING						
Amount Financed	6,150,000	10,250	8,750,000	21,875	0	0
Points (pd but reimbursed @ takeout)	92,000	153		0		
Fees (pd but reimbursed @ takeout)	50,000	83		0		
Consruction loan draws	6,292	10		0		
Construction interest	923,000	1,538		0		
Interest for 25-yr mortgage			3,503,769	8,759		
Equity	2,050,000	3,417	4,117,923	10,295	8,632,913	21,582

EXHIBIT 6

PORT OF SAN FRANCISCO
MEMORANDUM

To: Marianne Conarroe
Harbor Master, Treasure Island Project

From: Lawrence Brown

Date: August 31. 1998

Re: Financial Review of Treasure Island Marina RFP Respondents

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Scope of Review

Pursuant to your request, I have reviewed the financial information provided by the respondents to the Treasure Island Marina Request for Proposal (RFP) and analyzed their financial ability to provide approximately $10M-12M toward the devclopment of the Treasure Island Marina.

This review encompassed reviewing the business plans, financial information (including 16 year project projections), and proposed rental fees submitted by each respondent.

Limitations & Qualifications

This review is limited to examining and commenting on the financial material provided by the respondents. No analysis was performed on the reasonableness and appropriateness of the assumptions used by the respondents in the preparation of their income and expense projections for the project. Nor was any attempt made to determine the appropriateness of the type and level of operating expenses projected, or the levels of revenue increases projected over time. It is important to note that the City's income will be negatively affected to the extent that the firm selected fails to achieve the occupancy and rent levels that they have assumed in their projections.

In addition to the above, I did not analyze the qualifications of the other firms on each respondent's development team, their reputation and their fitness to perform the anticipated duties.

Finally, no assessment was made of the reasonableness of the project schedule timeline submitted by each respondent.

Westrec Marinas

Comments:

Financials:

Westrec Marinas is the subsidiary of Westrec Financial, Inc. (WFI); a privately held company located in Encino, California (Los Angeles metropolitan area). Mr. Michael M. Sachs is the firm's Chief Executive Officer and principal shareholder. WFI and its subsidiaries and affiliates are involved in the management, development, and finance of marinas. Westrec Marinas, itself, is engaged in the management of 38 marinas throughout the U.S. with 15,000 boat slips. The firm states that it is the largest marina operator in the nation.

In their response, Westrec Marinas indicated that there are no audited financials for WFI, and no financial information of any kind was provided for the parent. Audited financials for Westrec Marinas for fiscal years (FYs) 1995 & 1996, however, were provided.

As an entity, Westrec Marinas is a much smaller firm than the other two respondents. The financial information provided shows that the firm reported $3.7M in revenues in 1996, with just over 85% generated from management fees. The company's customer base is relatively concentrated, with 39% of the firm's revenues derived from the management of WFI affiliated marinas, and another 15% generated from the management of marinas owned by the

City of Chicago. All else being equal, the more concentrated a company's customer base is, the more vulnerable it is to problems caused by the financial difficulties of any one customer.

For FY 1996 Westrec Marinas reported net income of $587K, up 37% from the previous year. Despite the net income reported, however, the firm's equity actually declined over $1.0M during 1996 as the direct result of $1.6M in loans to the parent. These loans, which totaled $4.5M as of FYE 1996, have had a serious, negative affect on Westrec Marina's financial condition. These loans represent loans made to subsidiaries of WFI who are general partners in various partnerships that own marina facilities for which Westrec Marinas provides management services. The loans do not accrue interest and have no specific repayment terms.

Some of these partnerships have encountered financial problems. The financials indicated that one of WFI's affiliated partnerships in 1996 defaulted on their third-party loan. The marina facilities, which Westrec Marinas managed, were subsequently taken over by the lenders, and Westrec's management contracts, worth $147K/year, were terminated. Additionally, there are unconfirmed reports that another marina managed by Westrec, Tower Park, is in some financial difficulty. This raises some concern and should be investigated further.

As of FYE 1996, Westrec Marinas had negative equity of $(756K). The firm also in violation of some its (financial institution) loan covenants at year-end, although these violations were waived by the lender. No financial statements were available for FY 1997 so it was not possible to determine if the firm's negative equity position has been corrected.

On April 1, 1998 Westrec announced that Commercial Assets, Inc. (CAX) a publicly traded Denver-based real estate investment trust (REIT) had purchased 12% of the company for $2.5M, with an option to increase its ownership in Westrec to 35% over the next three years. CAX also acquired an option to purchase from Westrec affiliates, two marinas and general partnership interests in eleven additional marinas.

Immediately prior to the Westrec purchase, CAX had $77.0M in assets consisting entirely of cash. No further information on Commercial Assets, Inc. (including financial information) was available.

Project:
The Westrec proposal calls for the construction of a 422 slip marina to be constructed in two phases. Other improvements include a fuel dock. Total cost for the marina and related improvements is approximately $8.77M, the lowest of the three respondents. According to the respondent, 100% equity financing will be provided by Commercial Assets, Inc.

Westrec has proposed paying the City rent based on the following percentages of revenues:

Category	% Rent
Slip Revenues	20%
Fuel & Moorings	5%

The proposal calls for no minimum rent during the first 5 years. Rent due will be based solely on the percentage rent determined by the above percentages. After the initial 5 year period, the City will be guaranteed a minimum rent. The amount will be calculated every 5 years, and will be 75% of the effective average percentage rent over the previous three year period.

Westrec prepared 16 year (1 yr. development + 15 yrs. operation) income and expense projections for the marina which show projected City revenues from rent payments , and real estate taxes. In preparing these projections the company assumed an annual revenue increase of 10% beginning in year 2003. Thereafter a 10% revenue increase is assumed to occur every three years for all revenues generated by the improvements completed in Phase I. For revenues generated by improvements completed in Phase II, a 10% revenues increase is assumed to occur in years 2006, 2008, and 2012. A vacancy factor of 7% at stabilization was assumed for the projections.

All expenses, with the exception of real estate taxes, are assumed to increase 3% per year. Real estate taxes are assumed to increase $2K per year beginning in year 2002.

The Westrec proposal generates higher total revenues to the City over the life of the project than the proposals put forth by the other two respondents. This is due largely to the fact that the Westrec proposal incorporates the highest user fees. The average initial monthly rent rate for boats is $8.66 per linear foot, and initial mooring charges are set at $25.00 per day. These prices then increase according to the revenue growth assumptions outlined above. The company did not include any covered or outside boat storage in their revised proposal (revised to include only the marina), however, it appears from their initial submission that they intend to provide it. The inclusion of such storage would increase both the costs of the project and the projected revenue.

Under the Westrec proposal the City can expect to receive $6.62M in rental payments and $1.91M in real estate taxes over the next 16 years. As mentioned above, this would increase if boat storage were provided. Using a 9.0% discount factor, these revenue streams have a Net Present Value (NPV) of $3.91M as shown below:

	NPV
Rent Payments	$3.02M
Real Estate Taxes	0.89M
Total	$3.91M

One item that could potentially affect the revenue City can expect to receive from the project is a requirement in Westrec's Marina Management Agreement that the marina owner offer a discount at the marina to Westrec Club members. At this time it is not known if Westrec allowed for this discount when they prepared their income and expense projections for the marina. If not, we do not have sufficient information to estimate the magnitude of such a discount program on the projected revenue stream to the City. Additionally, in an interview session held on August 11, 1998, Westrec indicated that it expects the City to pay for any needed dredging of the cove. No other respondent expressed a similar expectation.

Strengths:

- Westrec is a large and experienced marina operator.
- The Westrec proposal affords the City the highest level of income over 16 year life of the marina project based on assumptions provided by the respondents.

Risk Factors:

- The firm is substantially smaller than the other two respondents with no demonstrated access to the nation's capital markets. As such, its financial flexibility appears to be substantially less than that of the other two respondents.
- The REIT which has agreed, in principal, to provide the financing for the development is relatively small in size, and appears to be newly formed because the overriding bulk of its assets are in cash. The investment in the Treasure Island marina represents 11% of the REIT's total assets. This represents a large concentration of assets in a single project. As such, this financing source is more risky than more traditional bank financing.
- Westrec's financial condition appears to be very weak. The company's balance sheet shows that as of FYE 1996 the firm had negative equity of $(756K), and the firm was in violation of some of its loan covenants. Although these violations were waived by the lender, the firm's financial condition is troubling.
- Westrec has made sizable loans to its parent which are non-interest bearing, and which have no specific repayment terms. These loans have negatively affected the financial condition of the firm.
- Some of the Westrec-affiliated partnerships which own marinas which Westrec manages have encountered financial problems in the past.

- Westrec indicated that it expects the City to pay for any needed dredging of the cove. No other respondent expressed a similar expectation.

Questions/Additional Information Needed:

- Westrec's financial statements for FYE 1997. We need to determine if the firm has corrected its negative equity position.
- Did Westrec take into account discounts required as part of their Westrec Club program when they prepared the projections for the marina? If not, what revenue impact will this program have on marina revenues, and the projected City rental payments?
- No cost and revenue estimates were provided for dry boat storage in the projections. Does Westrec intend to offer such service? If so, cost and revenue estimates are needed.
- Obtain information which will either confirm or deny the rumors of financial problems/and or operational problems at the Tower Park marina.

Modern Continental

Comments:

Financials:

The respondent to the RFP is Modern Continental Companies, Inc. (MC), a Massachusetts based and incorporated firm. The firm states that it is the largest, union, heavy-civil contractor in Boston, a developer of commercial and residential properties, and an operator of passenger and commuter boats. MC, which is owned by partners Lelio Marino and K. Anderson, appears to be a holding company, and parent firm for the Modern Continental group of companies.

No financial information was provided for MC, however, the company did provide audited financials for Modern Continental Construction Company, Inc. (MCC). MCC, a wholly-owned subsidiary of MC and the firm's principal operating subsidiary, is a heavy civil contractor engaged in the construction of highways, mass transit facilities, and other infrastructure-related projects. Most of the firm's work is done for the Commonwealth of Massachusetts. Based on revenue size, the firm was ranked the 83rd largest contractor in the U.S. in 1996. As of January 1998 the company had a backlog of approximately $1.4 billion.

The audited financials for MCC show that the firm reported $283.2M in revenues for FY 1997 (year ended 6/30/97). The firm expects to post revenues of $450M for the year ended 6/30/98. Although no specific figures were available, we know that the firm's customer base is highly concentrated, as the Commonwealth of Massachusetts is the company's principal customer. Although a highly concentrated customer base would normally be a cause for some concern, the nature of the customer in this case (a major governmental entity) mitigates much of that concern.

For FY 1997, MCC reported net earnings of $7.1M, up 26% from the previous year. There was no distribution of earnings during the year, therefore all of the firm's net income was retained within the business. MCC's balance sheet displayed leverage of 2.2 and 2.1 as of FY's 1997 and 1996, respectively; levels which are viewed as acceptable for a construction company. Most of the firm's liabilities is short term nature with the two largest accounts, Accounts Payable and Billings in Excess of Costs Estimated Earnings, accounting for 58% of total liabilities.

As with Westrec, MCC has made some loans to its parent, and affiliated companies. As of FYE 1997 loans to related parties totaled $3.9M, with another $914K in loans to company officers. However, unlike the case of Westrec, these loans do not appear to have significantly affected the MCC's financial condition. In addition, many of the loans are interest bearing, and all but the officer loans appear to be related to MCC construction activities.

The cash generating ability of MCC appears to be good. We noted that in both FY's 1996 & 1997 the firm was able to generate more than sufficient funds to cover all of its operating and capital expenditure needs. The surplus funds were used to increase the company's cash and bank balances.

Project:
The Modern Continental proposal calls for the construction of a 600 slip marina to be constructed in 2 phases. Other improvements include indoor and outdoor boat storage for 160 boats, and a marina store. Total cost for the marina and related improvements is approximately $9.3M, including interest cost paid during construction. According to the company, the project will be funded with a combination of bank debt (75%) and equity (25%). The firm expects to use one of its principal relationship banks, such as Fleet Bank or Boston Mortgage Company, for the bank financing. A two year construction loan priced at 10% is contemplated, followed by a 20 year take-out loan priced at 7.5% fixed.

Modern Continental has proposed paying the City rent based on the following percentages of revenues:

Category	% Rent
Slip Revenues	15%
Boat Storage	10%
Moorings	10%
Marina Store	1%

The proposal provides for the payment of minimum rent, but states that the actual size of this rent is to be negotiated prior to the execution of the lease between the company and the City.

Modern Continental prepared a 17 year income and expense projection for the marina (2 yrs. development + 15 yrs operation). We, however, included only the first 14 yrs. of operating data in our review in order to be consistent with the Westrec projection presentation.

In the preparation of their projections, Modern Continental assumed an annual revenue increase of 3% beginning in 2002. A vacancy rate of 10% is assumed at stabilization, which is projected to occur in year 2003. The projections show no revenue being generated from the marina in years 1999 & 2000. This is inconsistent with their proposal which clearly shows that they plan to operate the existing marina during the development and construction phase of the project. Because they have assumed no income for 1999 & 2000, no rent will be received by the City during this period.

With the exception of real estate taxes and debt service payments, marina expenses are assumed to increase by 3% per year beginning in year 2000. No real estate taxes are assumed to be owed until 2001 when taxes of $90K are due. Thereafter real estate taxes are assumed to increase by 3% annually. During 1999 and 2000 Modern Continental is planning to pay the interest cost on the construction loan as it is incurred. Then, beginning in 2001 the company will make principal and amortization payments on the take-out loan of approximately $610K per year.

At stabilization, operating expenses for the marina will account for approximately 30% of total revenues.

The Modern Continental proposal calls for an average initial monthly boat slip rental rate of $8.17 per linear foot, and initial mooring charges of $15 per day. Boat storage charges are initially set at $150/month for covered storage and $75/month for outside storage. All of these prices are then assumed to increase according to the revenue growth assumptions discussed above.

Under this proposal the City can expect to receive $5.5M in rent payments and $1.5M in real estate taxes over the next 16 years. Using a 9.0% discount factor, these revenue streams have a Net Present Value (NPV) of $3.11M as shown below:

	NPV
Rent Payments	$2.42M
Real Estate Taxes	0.69M
Total	$3.11M

The expected rent payments to the City would increase if the proposed percentage rent was paid during the two year development and construction phase of the project.

Strengths:

- Size and financial condition of Modern Continental Construction Company. The firm had revenues of just under $300M, and total assets of $116M as of 6/30/97. The company is solidly profitable, and its cash generating ability appears to be good. Further, all of FY 1997's net earnings were retained within the business.
- Modern Continental has substantial construction experience, and has substantial experience working with governmental entities, given its extensive work for the Commonwealth of Massachusetts.
- In the August 11th interview Modern Continental appeared to be flexible, and willing to make changes in the project to meet the City's needs and expectations.

Risks:

- Although, Modern Continental does operate some ferry boats in Boston harbor, the marina operating ability of the firm appears to be weak.
- The company's proposal shows the City receiving no revenues during the two year development construction phase of the project.

Questions/Additional Information Needed:

- Given that Modern Continental intends to operate the existing marina during the development and construction of the new marina, confirm that the company does not intend to pay the City any rent or real estate taxes during this period.
- Modern Continental Construction Company's financial statements for FYE 1998 (period ended 6/30/98). Preliminary financial information should be available now, and the audited financials should be available by 9/30/98.
- Inquire as to which entity specifically will be operating the marina, and which companies, if any, will be employed by Modern Continental to assist it with operating the marina, or as consultants for marina operations.

Treasure Island Enterprises, LLC.

Comments:

Financials:

Treasure Island Enterprises, LLC, the respondent to the RFP, is a California limited liability corporation which was formed for the sole purpose of leasing, developing, and managing the Treasure Island Marina. The firm is essentially a joint venture of The Yucaipa Companies, LLC and Almar Ltd.

The Yucaipa Companies is a privately held, Los Angeles based financial investor. The firm consists of seven principals and various affiliates. Mr. Ronald Burke is the managing partner. Yucaipa assists senior management of many large companies complete leverage and/or management buyouts of their firms. The firm has completed several large grocery buyout transactions, and currently is the majority owner of Ralphs Grocery Company (a $5.5 billion southern California firm), Dominick's Finer Foods (a $2.7 billion Chicago-based grocer), and Fred Meyer (a $7.2 billion Portland, Oregon-based retailer of groceries, apparel, jewelry and home products). The company states that it has no material debt. The firm's principal assets are the stock that it holds in these three companies. The stockholders' equity of Fred Meyer and Dominick's Finer Foods have a combined value of $2.2 billion. This would make Yucaipa's majority ownership stake worth, at least, $1.1 billion. Further, based on the August 31, 1998 closing stock price, Fred Meyer has a market capitalization of $2.9 billion. This implies that the market value of Yucaipa's stock is, at least, $1.4 billion.

No financial information was provided on Yucaipa

Almar, Ltd. is a privately held marina operator. The company states that it is the largest privately-owned marina operator on the west coast, currently operating five marinas with 2,627 boat slips. In addition to marina operations, Almar also owns other properties as adjuncts to its marina business, including apartments, office buildings, restaurants, storage facilities, and recreational facilities. A combined balance sheet (with notes) for FYE 1995 & 1996 for Almar was provided. No income statement or statement of changes in financial condition were provided.

Notes to the supplied balance sheet indicate that Almar posted significant net losses in both FY's 1995 & 1996. The combined net loss for FY 1995 was $(409K), and the FY 1996 net loss was $(388K). Further, although there appears to be some missing page(s) from a note breaking out the income performance of each business entity which make up Almar, in both years at least four of the businesses incurred net losses. The largest contributor to these losses appears to be the Ballena Isle Marina. Losses for this one entity alone exceeded $(1.0M) per year.

The entities which make up Almar appear to be single purpose real estate entities. It is not uncommon for such entities to incur net losses on a financial reporting basis, as owners attempt to reduce their income tax liability. Although reporting net losses, however, such entities should be "cash flow positive" (i.e.; generating sufficient revenues to cover all cash expenses). Without further information, however, we cannot determine whether or not, the Almar entities are all cash flow positive. However, information provided indicates that at least two of Almars marinas have had some financial problems as evidenced by the restructure and forgiveness of some debt by Atena Life Insurance Company in early 1995. It is not known whether or not Almar was managing these properties at the time they encountered financial problems. Additionally, without further information, the size of the losses reported at the Ballena Isle Marina is troubling.

The company's balance sheet shows that Almar has had substantial negative equity for, at least, the past two years. The firm's negative equity position was $(15.6M) at FYE 1995. This increased to $(16.4M) by year-end 1996. The cause is due to sizable withdrawals by partners. In spite of the net losses posted in each of the last two years, the partners have withdrawn over $400K per year from the company. As of FYE 1996 total partner withdrawals have total $32.0M, more than double the sum of their accumulated capital contributions and net income. This substantial negative equity position is of serious concern.

Because of concerns over the financial health of Almar, we must look to The Yucaipa Companies to provide the funds required to complete the Treasure Island marina project.

Project:
The Treasure Island Enterprises (TIE) proposal calls for the construction of a 400 slip marina to be constructed in two phases. Other improvements include a public viewing dock, fuel dock, mega-yacht dock, dry boat storage, and various improvements to building 180. Total cost for the marina and related improvements is $12.7M, the highest of the three respondents. According to TIE, the project will be funded with a combination of debt (70%) and equity from both Yucaipa and Almar (30%). As noted above, we have serious reservations concerning Almar's ability to raise its portion of the equity financing. TIE expects to obtain a 25 year mortgage financing priced at 9.0%.

TIE has proposed paying the City rent based on a percentage of revenues for various categories of uses. The number of different revenue categories in the TIE proposal is significantly greater than for the other two respondents. The TIE proposal also has a ramp up period for percentage rents intended to reduce the operator's expenses during the early years of the project. This makes their proposal more complicated to administer, and more difficult for the City to oversee and monitor for compliance than the other two submittals. TIE has identified no less than 18 different revenue types, each with their own specific percentage rent factor. TIE has proposed paying the City rent on the following percentages of revenues:

Category	Years 2001-2003 % Rent	Years 2004-2005 % Rent	Years 2006-2014 % Rent
Slip Revenues	5.0%	10.0%	15.0%
End Ties, Guest, & Liveaboard	5.0%	10.0%	15.0%
Boat Storage	10.0%	10.0%	10.0%
Boat Sales, Chandlery, etc.*	5.0%	5.0%	5.0%
Coin Vending	25.0%	25.0%	25.0%
Restaurant	3.5%	3.5%	3.5%
Miscellaneous	10%	10%	10%

* represents revenues from boat sales, chandlery, nautical club, laundry, sailing instruction, lockers, services, and shops

In addition to the above, TIE has proposed to pay the City a rental payment based loosely on the gallons of fuel sold. Rent payments from this revenue category are shown as specific dollar amounts in the company's projections (discussed below); but, in general, range from 3.6% to 3.75% of the gross profit of 20¢/gallon.

Regarding the proposed rent structure, it is important to note that the TIE proposal calls for any expenses for items which they believe to be related to overall island improvement, such as diking, to be offset against percentage rent owed. Minimum rent due would not be subject to offset.

The proposal provides for a guaranteed minimum rental payment of $90,000 for year 1999, and $100,000 for 2000; the two years of development and construction. Guaranteed minimum rents of $100,000 would be applicable for years 2001 & 2002. Thereafter guaranteed annual minimum rent payments would increase in accordance with the CPI.

TIE prepared a 17 year income and expense projection for the marina (2 yrs. development + 15 yrs operation). We, however, included only the first 14 yrs. of operating data in our review in order to be consistent with the Westrec projection presentation.

In the preparation of their projections TIE assumed revenue increases of approximately 5% every other year beginning in year 2005 through year 2010, and 2% annually thereafter. A vacancy rate of 10% is assumed at stabilization, which is projected to occur in 2005. Fuel sales are assumed to stabilize at 240,000 gallons in year 2003. Thereafter increases are consistent with TIE's revenue growth assumptions.

Operating expenses for the marina are assumed to be 36% of total revenues throughout the projection period.

The Treasure Island Enterprises proposal calls for an average initial monthly boat slip rental rate of $7.00 per linear foot; the lowest of the three respondents. We believe that the firm does intend to install some moorings in the cove for day boaters, but no estimates of mooring charges were provided.

Under the TIE proposal the City can expect to receive $3.5M in rent payments and $0.6M in real estate taxes over the next 16 years. In making this determination we relied on the guaranteed minimum rent payment structure as outlined in section G of the firm's proposal. The rent due under this structure is higher than the amount of rent shown in the projections as due the City in years 2001 & 2002. This inconsistency needs to be clarified. If, the lower rent numbers shown in the supplied projections are accurate, the total rent received by the City would be correspondingly less. Assuming the higher minimum numbers, and using a 9.0% discount factor, these revenue streams have a Net Present Value (NPV) of $1.80M as shown below:

	NPV
Rent Payments	$1.56M
Real Estate Taxes	0.24M
Total	$1.80M

As we can see, despite the relatively high guaranteed minimum rental payments to be paid during the development and construction phase of the project, the total income to the City over the life of the project is substantially less than that provided by the other two respondents.

Strengths:

- Almar is an experienced marina operator.
- Although privately held, The Yucaipa Companies appears to have substantial equity. The firm stated that it has no material debt, with its principal assets consisting of stock of Ralphs Grocery, Fred Meyer, and Dominick's Finer Foods. The equity of these last two companies, totals approximately $2.2 billion. Yucaipa's majority ownership of these two firms is correspondingly worth at least $1.1 billion.
- Yucaipa has demonstrated ability to access the nation's capital markets. It has been very successful at accessing sizable amounts of financing for its leverage/management buyout transactions.
- The TIE proposal is the only one which guarantees the City a minimum rent during the construction and development phase of the marina project.
- The TIE proposal calls for the lowest boat slip rental fees of the three respondents.

Risks:

- The TIE proposal affords the City with substantially less income over the 16 years life of the marina project than that provided by the other two respondents based on assumptions provided by the respondents.
- Almar's financial condition is very weak. The company's balance sheet shows that as of FYE 1996 the firm had a negative equity of $(16.4M). This is due largely to sizable partner withdrawals. These withdrawals have occurred even in years when the firm has posted net losses.
- Although complete details were not available, Almar's recent operating performance appears to be weak. The firm reported net losses for both FY's 1995 & 1996, with at least four of the business entities making up the company generating losses.
- Some of Almar's marinas have experienced significant financial difficulties in the past. Two marinas had their debt restructured and some forgiven by a large life insurance company in 1995. Another one of Almar's marinas is generating net losses in excess of $(1.0M) per year.
- The complex rent structure of the TIE proposal make it significantly more difficult to oversee and monitor for compliance than the other two proposals.

Questions/Additional Information Needed:

- Almar's combined balance sheet for FYE 1997.
- Almar's combined operating statement for FY's 1995 - 1997. It is important to determine whether or not the firm's real estate entities are "cash flow positive".
- A complete copy of Note 7 to Almar's FYE 1996 combined balance sheet. Part of this Note is missing in the response package provided to the Treasure Island Marina review panel.
- Did Almar take over the operations of the financially troubled marinas after the problems occurred, or did it operated these facilities during the period in which they encounter problems.
- The rent shown as payable to the City in years 2001 & 2002 appears to be inconsistent with the guaranteed minimum rent payment scheme outlined in section G of TIE's proposal. This needs to be clarified.

- Does TIE intend to offer mooring in the cove? If so, what are their proposed mooring rates?

Other Issues

- None of the respondents are willing to be financially responsible for large infrastructure repairs such as seismic upgrading of the island's dike.
- The City should require that the parent firm(s) of the successful respondent provide the City with a completion guarantee; and, in addition, a Standby Letter of Credit should be provided to the City to ensure that sufficient funds will be available to complete the project.
- Minimum rent should be required during development and construction.
- Percentage rental income rates and other income and expense assumptions should be analyzed by someone familiar with the marina business to determine whether these are reasonable assumptions.

cc: Ken Kutnick, Port of San Francisco
Stephanie Downs, Port of San Francisco

Review of Clipper Cove Proposals
(Received January 21, 1998)

	Organization	Principal Contact	Local Counsel	Project Overview	Key Personnel	Consultants
Modern Continental	Modern Continental Construction is an affiliate of Modern Continental Companies (MC). MC has in-house construction, marina/real estate development, passenger operating experience.	Alan G. Hobelman Modern Continental Companies 600 Memorial Drive Cambridge, MA 02139 617-864-6300	Thelen, Marrin, Johnson & Bridges	Operate 108 slips immediately. Rehabilitate the facility, restore services, reopen yacht club. Under long term lease provide for the replacement of all existing berths and 300 slip expansion (total 500 slips). Also interested in development of restaurants, entertainment theme park, hotel, etc.	Mr. Hobelman - project director Mr. Kernan - project manager Mr. Lelio Marino - chief executive Modern Continental.	Babcock Design Studios Moffatt & Nichol Engineers Cost Geo-Constructors EH John Construction (MBE) Williams-Keubelbeck Also Mr. Redmond Kernan and Mr. Carter Strauch will serve on the project team.
Treasure Island Enterprises	TIE is a LLC established January 12, 1998. Members are Ronald Burkle (manager), The Yucaipa Companies LLC, Almar Ltd, and Darius Anderson (project director)	Darius Anderson One Embarcadero Center,Ste 1200 San Francisco, CA 94111 415-732-3766 x 108	Sanger & Olson	Operate 108 slips immediately; design, build a new 400 slip marina. First phase 250 slips with transient boat docking/public pier, demolition of Buildings 183 and 298 for reuse as public open space and limited buildout of 180. Phase 2 will include replacement of existing slips and additional 150 slips. Also interested in restaurant, chapel and library (not included in this analysis).	Ronald Burkle – supermarket experience, business experience, on Kaufman and Broad Board. Harry Nelson, Jr. – President of Almar, a marina development and management company. Darius Anderson – government affairs for Alpha Beta Markets, business strategy Yucaipa.	Kwan Henmi Architecture (MBE/WBE/LBE certified), Don Todd (construction support - MBE/LBE), Olivia Chen (civil engineering - MBE/WBE/LBE DBE), Cerbatos and Associates (electrical engineering MBE/LBE), FW Associates (engineering - MBE/LBE), Stevens and Associates, Keilani Tom, Moffat & Nichol, Treadwell & Rollo, Bellingham Marine, Concept Marine, Cypress Security + restaurant subs.
Westrec	Westrec is the largest owner, developer and operator of marinas. Westrec will develop, manage and operate the marina. Company was founded as a sister company of Public Storage. The company is privately owned by Michael Sachs.	Thomas Hogan Westrec Marina 16633 Ventura Blvd, 6th Floor Encino, CA 91436-1835 818-907-0400 818-907-1104 (fax)	Not mentioned	Operate 108 slips immediately; construct 224 new slips (36-80 lf) in Phase 1 with concrete flotation, construct 198 new slips (32-80 lf) to replace existing 108 slips, construct 100 outdoor dry storage and 120 indoor dry storage space. Building 180 construct 20,000 sf retail. Also, build 10,000 sf restaurant/club.	Michael Sachs - CEO Westrec William Anderson - President Thomas Hogan - Development	Moffat & Nichol - engineering Jack Camp Group - planning Michael Kaplan - development Kosmont & Associates - financial MBE PCR - environmental Donald Jesberg - marketing SWA - landscape architects Hansen/Murakami/Exhima - arch. MBE St. Francis Yacht Club affiliation

Review of Clipper Cove Proposals
(Received January 21, 1998)

	Marina Business Plan	Later Phase Proposals	Proposed Site	Development Costs	Initial Revenue per lineal foot	Slip Vacancy Rate
Modern Continental	Lease 12 acres of land plus Clipper Cove. Operate 108 slips immediately under a NNN lease. Anticipate paying city 15% of gross income from slips, estimated at $28,000. Rehabilitate the facility, restore services, reopen yacht club. Create a usable ferry terminal. Under long term lease provide for the replacement of all existing slips and expansion for a total of 300 slips. In Phase 3 expand to 600 slips plus other development described later. Propose concrete floats and piles.	3 restaurants, 300 room hotel/conference center, new yacht club, entertainment center/theme park.	12 acres of land plus water area for marina, ultimately accommodating 600 slips, moorings, and transient boaters.	$8 million 300 slips	$5.00 Phase 1, $8.17 Phase 2	Phase 1 - 0%, Phase 2 - 10%
Treasure Island Enterprises	Immediately begin operating the existing 108 slips, building 183, building 298, and the parking lot. Eventually develop 400 slips with building 180 as a dry storage, services, etc. The first phase would include 250 slips plus building 180. The second phase would include 150 additional slips. In phase three, building 180 would be replaced with new structures and 100 slips would be added.	Redevelop the church, the Casa and the library with a restaurant and banquet facility.	Clipper cove with 400-500 slips, parallel landside from the shoreline to the easterly edge of Building 2, all of the existing parking lots adjacent to the Treasure Island police station, Building 180, the parking lot between Building 180 and Building 1. See Exhibit G-1.	$12.7 million for 400+ marina	$7.00	10%
Westrec	Total of 422 slips with modern amenities. Phase 1 -224 slips. Phase 2- 198 slips. Use Building 180 for dry storage (120 boats) plus outdoor storage for 100 boats. Also, 10,000 sf marine retail, storage lockers, 5,000 sf private yacht club, 5,000 sf office space, and 10,000 sf restaurant/retail in a new building	Phase 3 - add 224 slips (if market demand). Phase 4 - boatyard maintenance, yacht racing compound for 3 syndicates.	Did not see specified in writing. Refer to maps. Also, should get clarification.	$12.9 million for 422 slips	Average - $4.00 initially w/ existing 108 slips, $8.84 Phase 1, $8.13 Phase 2.	7%

Review of Clipper Cove Proposals
(Received January 21, 1998)

	Financing	Term	Building 180	Parking	Minimum Rent	Other
Modern Continental	75% financed at 7.5% for 20 yrs. Financing for seismic stabilization of perimeter dike - California Department of Boating and Waterways Construction Loan and Municipal Revenue Bonds.	66 years or longer if legally possible. Phase 1 lease period anticipated to be 2 years.	Used for dry storage of 40-50 boats.	Not specified	To be negotiated prior to lease. NNN lease based primarily on percentage rents (with a negotiated base rent). Phase 1 - (2 years) - $27,800/yr Phase 1 & 2 - $173,000/year Phase 1, 2 & 3 - $375,000/year (These figures are estimates based on projected sales - base rent would be negotiated)	NA
Treasure Island Enterprises	Borrow 70%, 9% debt service constant	65 years (25 year initial term with 4 10 year options). Rent readjusted to market at the beginning of each term.	Initially used as a dry stack storage, a café/deli/food services, boat sales and services, ship chandlery, meeting rooms, and administrative offices. Ultimately it would be replaced with a new structure.	Initial 240 on site spaces.	?? Per text $90K at lease execution, $100K for 3 years then escalate by CPI. -- This does not seem to match pro forma. March 26, 1998 pro forma indicates rent of $45,731 (yr1), $80,463 (yr2), 106,646 (yr3), $187,589 (yr4), etc. Participation rent which would be reduced by any charges for overall Island improvements (i.e., diking) (See p. 34)	NA
Westrec	Did not see specified.	15 years with 3 15-year options (options will be automatic provided lessee is not in default and provided city can offer the extensions under the Master Lease Agreement with the Navy.	Dry storage for 120 boats.	262 spaces for Phase 1 367 spaces for Phase 1 - 2 484 spaces for Phases 1 - 3 (see information provided at interview for location of parking)	Minimum rent will be waived for the first 5 years and percentage income will be calculated on actual income during lease-up period. Minimum rent will be calculated every five years and will be 75% of the effective percentage income averaged over the previous three years. Monthly payments.	Capital Recovery: In the event the first option is canceled, The City of San Francisco shall purchase the improvements from Westrec in an amount equal to 5 times the annual gross income at the end of the 15th year.

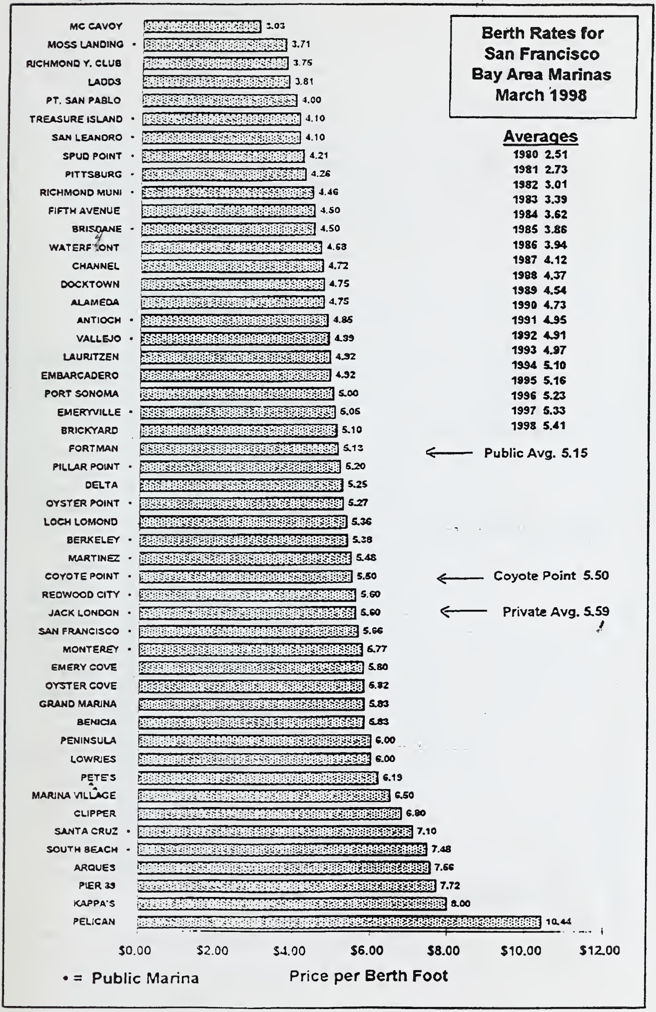
Review of Clipper Cove Proposals
(Received January 21, 1998)

	Percentage Rent	Rent for Add-on Development	Time frame for development	Public Outreach	Acceptance of RFP Conditions	Financial Information
Modern Continental	Phase 1 - 15% gross slip income Phase 2 - 15% gross slip income, 10% gross dry boat storage, and 1% marina store.	Estimated at $920,000 for entire 12 acres under the complete build-out scenario. $555,000 is attributed to Phase 4 development.	Approximately 2 years for 600 slips per schedule. This seems aggressive per other statements about 2 year Phase 1.	Will provide sailing opportunities to all youth, particularly the economically-disadvantaged. Provide berths for a handicap sailing program similar to South Beach.	Yes	Generally seems fine. Revenue has increased. However, so has current liabilities as a percentage of current assets. Billings in excess of costs have also increased from 3.7% of revenues to 4.8% of revenues. Note payable increased $4 million. Mention of litigation although no details. Certain collective bargaining agreements expire during 1998/1999. 98% of revenue from Massachusetts governmental agencies.
Treasure Island Enterprises	Detailed on p. 34 and proforma. Also, see prior caveat. Slip rentals 5% yr 1-3, 10% yr 4-5, 10% yr 6.	Based on percentage rent for restaurant (7% food and 6% beverages). See p.34 for details.	Approximately 4 years to complete.	Junior sailing program, senior sailing program, physically challenged sailing program, TIE sailing foundation, 10 slips for non-profits.	Yes	Almar needed to work out several loans with Aetna Life Insurance. During this process certain interest and late charges were forgiven. Approximately $16.2 million is due to Aetna at 12/98 per Dec 1996 financials.
Westrec	20% of all slip income, 10% on dry storage, and building income and 5% of fuel, retail sales and mooring fees. Payments made quarterly. Phase 1 % rent based on Sect. G stabilized estimates: Slips $221,272 (224 slips) Dry storage $24,840 Building 180 $39,860 Rest/Club $10,800 Moorings $5,850 Phase 2 $150,526 additnl See also annual proforma	Not indicated for Phase 3	Approximately 2 1/2 years for 244 slips per schedule (Phase 1). 1 1/2 to 2 years for additional 198 slips (Phase 2).	Not specifically outlined	Yes	Have financials for Westrec Marina Management not Westrec (owner of the marinas). Should get letter of credit or other information on Westrec (a private company owned by Mr. Sachs).

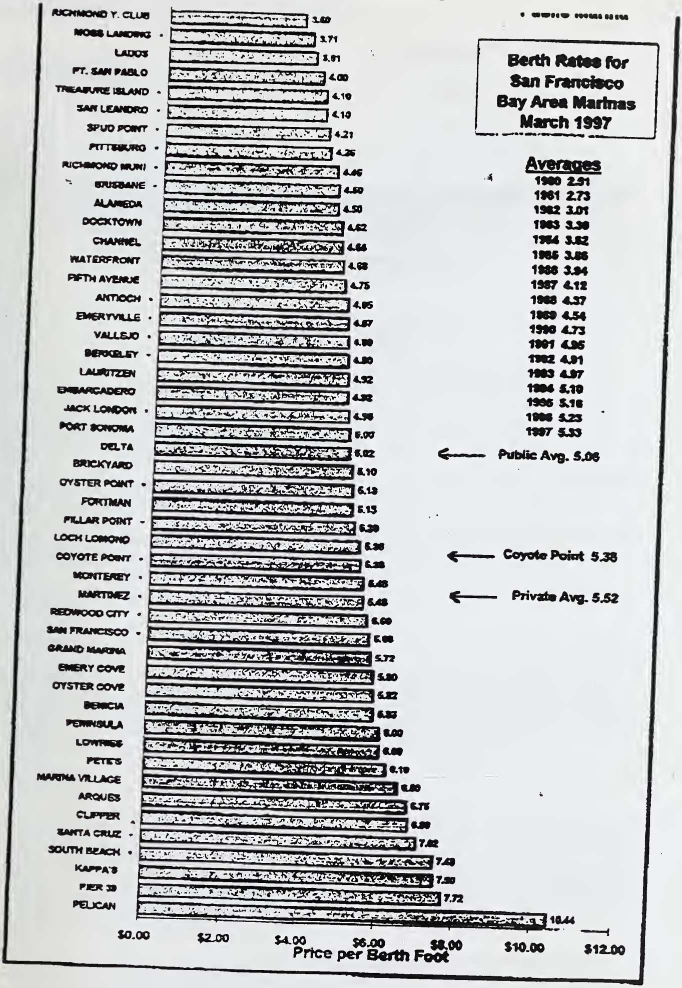
Review of Clipper Cove Proposals
(Received January 21, 1998)

	Dun & Bradstreet Credit Check	Other/Missing Information
Modern Continental	Generally good. Also MCC has subsidiaries in development company, restaurant, marine management, health care clinic.	Letters of interest from St. Francis Yacht Club and Treasure Island Yacht Club (although they would likely be interested in all 3 development proposals).
Treasure Island Enterprises	No information available. No business license on file.	Interesting partners. Almar brochure is from 1979. Proforma includes restaurant, nautical club, laundry, vending income, fuel, dry storage services, etc. – need to see revised numbers.
Westrec	Generally good.	Commercial Assets purchased 12% of Westrec 4/1/98. Investment will be cash. ** an update of financials including summary of current outstanding debt. No Westec workforce information provided. City of SF responsible for dredging and rip rap repair.

Exhibit 7


Berth Rates for San Francisco Bay Area Marinas March 1998
MC CAVOY 3.03
MOSS LANDING • 3.71
RICHMOND Y. CLUB 3.75
LADDS 3.81
PT. SAN PABLO 4.00
TREASURE ISLAND • 4.10
SAN LEANDRO • 4.10
SPUD POINT • 4.21
PITTSBURG • 4.26
RICHMOND MUNI • 4.46
FIFTH AVENUE 4.50
BRISBANE • 4.50
WATERFRONT 4.68
CHANNEL 4.72
DOCKTOWN 4.75
ALAMEDA 4.75
ANTIOCH • 4.85
VALLEJO • 4.89
LAURITZEN 4.92
EMBARCADERO 4.92
PORT SONOMA 5.00
EMERYVILLE • 5.05
BRICKYARD 5.10
FORTMAN 5.13
PILLAR POINT • 5.20
DELTA 5.25
OYSTER POINT • 5.27
LOCH LOMOND 5.36
BERKELEY • 5.38
MARTINEZ • 5.48
COYOTE POINT • 5.50
REDWOOD CITY • 5.60
JACK LONDON • 5.60
SAN FRANCISCO • 5.66
MONTEREY • 5.77
EMERY COVE 5.80
OYSTER COVE 5.82
GRAND MARINA 5.83
BENICIA 5.83
PENINSULA 6.00
LOWRIES 6.00
PETE'S 6.19
MARINA VILLAGE 6.50
CLIPPER 6.80
SANTA CRUZ • 7.10
SOUTH BEACH • 7.48
ARQUES 7.56
PIER 39 7.72
KAPPA'S 8.00
PELICAN 10.44
$0.00
$2.00
$4.00
$6.00
$8.00
$10.00
$12.00
• = Public Marina
Price per Berth Foot
Averages
1980 2.51
1981 2.73
1982 3.01
1983 3.39
1984 3.62
1985 3.86
1986 3.94
1987 4.12
1988 4.37
1989 4.54
1990 4.73
1991 4.95
1992 4.91
1993 4.97
1994 5.10
1995 5.16
1996 5.23
1997 5.33
1998 5.41
Public Avg. 5.15
Coyote Point 5.50
Private Avg. 5.59

12-04-1997 10:57AM FROM GRAND MARINA 5108651240 P.2



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Treasure Island Development Authority

MINUTES FOR REGULAR MEETING
NOVEMBER 18, 1998

Call to Order: 1:15 p.m. Suite 3100, Port of San Francisco, Ferry Building

Roll Call: Present: John Elberling, Vice Chair Anne Halsted Donna Provenzano Doug Wong Gerald Green (2:00) James Morales (1:30)

1. Approval of Minutes: The minutes of November 4, 1998 and October 21, 1998 were unanimously approved.

2. Communications The Commission Secretary noted that one letter had been received in support of wetlands on Treasure Island.

3. Ongoing Business by Directors

4. Introduction of New Business by Directors

In response to Ms. Halsted's question, Commission Secretary Rummelsburg announced that, pending confirmation from the City's Director of Administrative Services, the Authority will move its regular monthly meetings to the second Wednesday of each month and to a new meeting place at the new City Hall. Ms. Rummelsburg stated that she will send Authority members confirmation of such announcement.

5. Executive Director's Report Access:

Executive Director Conroy reported that in October approximately 8,000 people attended a party on TI hosted by Oracle. Ms. Conroy thanked the SFPD for their help that evening. In addition, there were several small weddings and receptions on the island in October. The Project Office has been working with the Fog City Flea Market to establish a weekly antique and farmer's market on TI that will be mobile, upscale and sell antiques, fresh flowers and holiday gift items. Ms. Conroy also stated that there will be a "Toys for Tots" program at TI.

Environmental Clean-up: Martha Waters reported that she has discussed concerns relating to the timing and extensiveness of clean-up to the local Navy officials responsible for the clean-up of Site 12 and the Marina. She will meet with staff from state and local environmental agencies to continue appropriate follow-up and monitoring of these activities.

Short-term leases: Ms. Conroy indicated that the Project Office would negotiate a lease with Fog City Flea market that will provide $2,000 each Sunday to the Authority, plus a $5.00 per vehicle parking fee. Ms. Conroy will request that Muni increase weekend service.

Report on San Francisco Bay Bridge: Ms. Conroy stated that Hillary Gitelman, the City's Environmental Review Officer was coordinating the City's response to Caltrans' draft EIS, and introduced Denis Mulligan from Caltrans who stated that he would be happy to answer any questions. Ms. Conroy said she had met with both Caltrans and MTC, and both are still committed to the northern alignment. She detailed preliminary data developed by Sedway Associates on both the permanent and construction-related economic losses secondary to construction of the northern alignment of the new east span, and added that the effect of construction and traffic noise may adversely affect filming on TI. Mr. Elberling requested that a copy of the City's response to the EIS be transmitted to Authority members. Ms. Conroy distributed computer simulations showing the location of the various alternative alignments in front of the Nimitz house.

Other Updates: Ms. Conroy reported that since Finance Director Eila Arbuckle was not present, the budget report would be presented at the next meeting. Ms. Conroy reported that the RFP for a consultant for the EDC and the master developer RFQ are progressing. Ms. Conroy stated that she has met productively with TIHDI several times in regard to John Stewart housing management contract and phasing in the rehabilitation of TIHDI's units.

Legislation: Ms. Conroy indicated that Supervisor Michael Yaki's legislation which expands the TIDA Board and changes the way in which Citizens Advisory Committee members are appointed will be considered on December 1, 1998. City Attorney Cohen described the legislation to Authority members. 11. Public comment: Vice Chair Elberling moved item #11 to this point in the agenda. Ruth Gravanis complimented whoever got Muni service to TI and added that publicity was needed to increase ridership.

6. Presentation by SFPD Captain Richard Cairns, commanding officer of the Treasure Island Police Station.

Captain Cairns described current levels of police protection (one captain, one sergeant, nine officers and four gate guards). Two officers are on duty 24-hours per day, the TI police station has been rehabilitated and is fully functional. Captain Cairns reported on several incidents that the Police Department has resolved on the island. Captain Cairns indicated that the police budget for the island exceeds the number of current staff because the island is not yet fully populated and that as people move to TI, more police will be assigned. Captain Cairns indicated that people hosting special events must pay for additional necessary police protection. At Mr. Elberling request, Captain Cairns summarized the Department's access policy for Treasure Island, and Authority members inquired about security practices on various portions of the island, including the beaches and piers. Authority members asked about policing on the water and on the beach and about the existence of a complaint process. Mr. Elberling requested a written copy of police security practices and asked about the status and training of the guards at the gate.

Public Comment: Harlan Van Wye commented that the level of security at the marina is excellent and thanked the marina manager.

7. Resolution approving Citizens Advisory Committee

Ms. Conroy described the difference in the method of selection of CAC members between the proposed resolution (up to 25 selected by the Authority) and Supervisor Yaki's pending legislation (14 selected by the Mayor and 11 selected by the Board of Supervisors), and stated that taking action on the resolution it is a policy decision for the Authority. Ms. Conroy also stated that at its last meeting the Authority had requested that the categories of interest groups to be represented on the CAC be broadened.

Public Comment: Paul Hehn of the Restoration Advisory Board (RAB) indicated that RAB members are interested in participating on the CAC and have submitted a letter of interest to the Authority, noting that two members of the RAB would be interested in sharing a seat.

Ruth Gravanis indicated that it would be desirable if alternates could vote.

Mr. Elberling and Ms. Halsted discussed areas of interest/expertise and Ms. Provenzano asked for City Attorney Cohen's interpretation of TIDA's role under Supervisor Yaki's legislation. Mr. Morales and Ms. Halsted stated that the Authority should continue the item and advise Supervisor Yaki's Committee members of the Authority's agenda item, indicating their support. Mr. Elberling requested that a cover letter be transmitted to Supervisor Yaki indicating the Authority's desire to proceed.

The item was continued until the next meeting.

8. Resolution confirming recommendation of Selection Committee for operator of Treasure Island Marina and authorizing Project Office to commence exclusive negotiations therewith (Action item)

Ms. Conroy introduced Harbormaster Marianne Conarroe to discuss the selection of a marina developer. Ms. Conarroe explained the need to create a baseline for analysis based on the requirements of the RFP, enabling an "apples to apples" comparison. She explained staff's and the selection committee's criteria for selection and stated that the selection evaluation had been on marina (as opposed to landside) development only. She explained that the breakwater is an overall improvement necessary to the long-term viability of the marina. Ms. Conarroe also explained the role, chronology and assumptions of both Sedway Associates, and the budget analyst from the Port of San Francisco and the Project Office's Finance Director, Eila Arbuckle, who completed a comparison of per berth revenue for each proposer. Ms. Conarroe emphasized that in addition to maximizing revenue to the City, the selection criteria included overall compliance with the City's objectives for the reuse of Treasure Island, as outlined in the Base Reuse emphasizing including public, public water-oriented activities.

In response to Ms. Halsted's inquiry about a construction guarantee, Mr. Cohen stated this could be worked out in a term sheet and could include a deposit. In an agreement for exclusive right to negotiate, such a guarantee or deposit would come before the Authority for consideration. Ms. Halsted stated that a great degree of specificity which is currently not included in the resolution would be required.

Mr. Morales asked about the types of public improvements proposed by TIE and if public investment were required. Ms. Conarroe stated that such subsidy was not mentioned in TIE's proposal. Authority members asked Mr. Cohen about methods of incorporating conditions, time limitations on performance, deposits and ascertaining the status of negotiations. Mr. Cohen indicated that a number of measures could be used, including delegation to the Executive Director and staff to negotiate. staff could

update the Authority in closed sessions. The Authority could also insert a time limitation into the negotiations. Mr. Cohen stated that a deposit, larger than the $15,000 noted in the RFP, could be included in the exclusive right to negotiate.

Mr. Elberling asked if any of the proponents were seeking any public subsidy and Ms. Conarroe responded that Modern Continental was seeking $10.6 million for stabilization but that is not relevant to the proposal. In response to Mr. Elberling's question regarding the feasibility of a 600-slip marina, Ms. Conarroe responded that there are some unresolved environmental concerns. She added that a breakwater is necessary to protect the marina.

Mr. Morales inquired about the report from the Port and Ms. Conarroe responded that MCC's revenue to the City was factored on an assumed 600-slip marina, rather than a 400-slip marina as had been assumed for the other two proposers. Mr. Morales asked about the statement of the financial analyst from the Port that Almar appears to be weak. Ms. Conarroe stated that Almar, MCC's marina operator, is refinancing its operation. Mr. Morales asked if staff's rationale were that even if the marina operator is weak, the Yucaipa Companies, which will finance the development, is quite strong. Ms. Conarroe added that Almar is furnishing just 10% of the financing and Yucaipa Companies is financing 90%.

Ms. Arbuckle indicated that because the RFP did not require that the proposals indicate the cost of each item, direct comparisons of each proposal is difficult. Ms. Arbuckle did, however, compile financial and cost-revenue projections for each of the proposers based on the information each furnished. Ms. Halsted asked about Exhibit 2, a 15 year-summary of revenue projections. It is net operating income, before rent payments to the City. Mr. Morales inquired about Exhibit 1, a 10-year summary of revenue. Ms. Conarroe also explained an exhibit showing cumulative revenue to the City over 10 years. Ms. Conarroe indicated that Westrec priced its slips at $13 per foot, which might be unrealistically high in relationship to existing Bay Area slip rental rates. In response to Mr. Elberling's question, Ms. Conarroe stated that TIE is the only proposer indicating construction of a breakwater at their own expense. A breakwater would become an asset to the Authority and is a consideration to the City.

The cost and value of landscaping for each proposal was discussed. Mr. Elberling asked each proposer to comment on their proposals and Westrec declined.

Redmond Kernan, Project Manager, Modern Continental (MCC) distributed a letter stating that his team's engineering consultant, Moffat and Nichols, found that a breakwater is not needed nor desirable. MCC has proposed a visitors' dock. Modern Continental had also submitted a 300-berth marina as part of its proposal because that is what is included in the base Reuse Plan. Mr. Kernan asked what landside buildings are involved in the marina or included in the Authority's thinking, and added that landside amenities should also be taken into account in selecting a developer. He stated that no city investment is required in MCC's proposal, but that in order to obtain funds from the California Department of Boating and Waterways at a low rate of interest, the City would be the borrower with Modern Continental repaying the loan.

Mr. Kernan stated that the problem with the selection of a marina developer lies with the process and that most members of the selection committee have no financial experience. Mr. Kernan stated that MCC would guarantee performance and also suggested that the Authority obtain the services of business development specialists and financial analysts of the various proposals.

Jay Wallace, legal counsel for TIE, stated that the guaranteed rent would be paid on

the first day of each lease period. No public subsidy is required or needed for public improvements proposed by TIE. Mr. Wallace referred to a November 3, 1998 letter to the Authority, Exhibit H, indicating that Almar, the marina operator, has positive operating net income at all marinas. Mr. Wallace indicated that Yucaipa Companies has the financial wherewithal to carry the enterprise. Mr. Wallace stated that TIE's proposal indicates that $10.65 per square foot will be spent on landside improvements.

Public Comment: Ruth Gravanis stated that if the breakwater is necessary then it should have been a required element of the RFP. She urged Authority members to give more concern to the environment.

Larry Williams, Williams Kubelbeck and Associates, financial advisors to MCC indicated that because the slip sizes vary from proposal to proposal, a per berth revenue comparison was not an "apples to apples" comparison. He stated that MCC had a "generally good" Dunn and Bradstreet rating.

Jay Wallace, TIE, stated that the rate of rent increase for slips averages 2-_% per year, rather than 5%.

In response to Mr. Elberling's question about process, Mr. Cohen responded that legally the Authority is the ultimate selection committee, not the committee convened by staff. He stated that there have been no procedural flaws and that record is strong. There is an ample basis to make a reasoned decision. It is a policy decision-making process for the Authority as to what type of decision it makes.

Mr. Elberling suggested that the Authority ask Sedway Associates to sort out financial details. Ms. Halsted added that she wants to be sure that the Authority is making the right decision and agrees with Mr. Elberling. Mr. Green stated that he was prepared to make a decision, although there is risk involved but would go along if members decided they needed further information. Mr. Morales indicated that he was ready to vote, but can't support TIE. He is concerned with Almar and supports MCC and believes that some of the criteria in the RFP have been reinterpreted. He would vote to seek an outside opinion from Sedway. Ms. Provenzano stated that she'd like Sedway's opinion but was ready to vote at the meeting.

Ms. Conroy stated that before Sedway is approached, a scope of work is required since it is not apparent that Authority members agree on what is necessary. She added that the analysis may be costly and that approximately $2,500 had already been spent on the marina to date. Mr. Morales said that there needs to be an evaluative process that is credible and understandable to the Authority and to the public so that there are no questions about why a particular developer was selected. Mr. Green indicated that he would like a comparison of how revenue is generated and a verification of projected revenue data. Ms. Halsted stated that she would like verification of existing data and would like staff to examine the financial condition of Almar. Mr. Elberling requested that each proposer provide the Authority with a line item cost for landscaping and all public amenities, the value of public improvements the Authority will receive and an analysis of the rent stream. He added that the analysis to date has focused on the proposers' estimate of the market but the Authority may want to include its own projections. Mr. Cohen stated that the particular items of information requested by the Authority were directly related to criteria set out under the Business Plan in the RFP.

The item was continued to the next regular agenda.

9. Closed session -There was none.

10. **Adjourned**- The meeting adjourned at 5:00 p.m.

03/22/00